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General Assembly

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Fifty-fifth session
Agenda item 12
Report of the Economic and Social Council

United Nations Population Award

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Executive Director of the United Nations Population Fund on the United Nations Population Award, established by the Assembly in its resolution 36/201 of 17 December 1981. The report, which covers the year 2000, was prepared in accordance with Economic and Social Council decision 1982/112 of 26 April 1982.

00-65859 (E) 041000

Report on the United Nations Population Award (2000)

I. Introduction

1. On 17 December 1981, by its resolution 36/201, the General Assembly established the United Nations Population Award. The Award is presented annually to an individual or individuals, to an institution or institutions or to any combination thereof for the most outstanding contribution to increasing awareness of population questions or to finding solutions to them.

2. The laureate is selected by the Committee for the United Nations Population Award, which is composed of representatives of 10 States Members of the United Nations elected by the Economic and Social Council for a period of three years.

3. In 1997-1998, the Economic and Social Council selected the following 10 countries to serve on the Committee for a period of three years beginning in January 1998: Burundi, Cape Verde, El Salvador, Grenada, Guatemala, Iran (Islamic Republic of), Lesotho, Netherlands, Romania and Thailand. The Secretary-General and the Executive Director of the United Nations Population Fund (UNFPA) serve as ex officio members. The Executive Director also acts as Secretary of the Committee. The Award consists of a diploma, a gold medal and a monetary prize.

4. The Economic and Social Council is currently in the process of selecting 10 countries to serve in the Committee for a three-year term beginning in January 2001.

5. On 5 December 1986, by its decision 41/445, the General Assembly amended article 2, paragraph 1, of the regulations governing the Award (resolution 36/201, annex), so that an individual and an institution could share the Award.

6. On 26 May 1987, by its decision 1987/129, the Economic and Social Council amended the rules of procedure of the Committee for the Population Award accordingly.

7. On 22 February 2000, the Committee re-elected Jose Luis Barbosa Leao Monteiro (Cape Verde) as Chairman.

II. The 2000 United Nations Population Award

8. A total of 32 nominations were received for the 2000 United Nations Population Award from qualified nominators. Of these, 18 were for the individual category and 14 for the institutional category. In March 2000, within the mandate given to it by the General Assembly, and after a thorough review of the nominations, the Committee selected Professor Ismail Awadallah Sallam in the individual category and the Fundación Mexicana para la Planeación Familiar (Mexfam) in the institutional category as the laureates for 2000.

9. Professor Sallam was selected for his extensive contributions to the field of population, especially from the biomedical perspective. An outstanding feature of his career has been his long-term interest in preventive health care and making basic health care available to the poor and under-served populations of Egypt. He recognized the public health ramifications of an overly medicalized system and has always supported community-based efforts and reaching the poor. He has actively assisted in family planning initiatives through his activities in the Health Committee

of the National Democratic Party, which involved helping mothers and children by providing preventive and curative "basic needs" packages of services. His official involvement has been from 1996 only, but his actual involvement in the health issues of Egypt has extended over a long period of time.

10. The Fundación Mexicana para la Planeación Familiar (Mexfam) was selected as an innovator and leader of Mexican civil society in the fields of family planning and sexual and reproductive health. Mexfam participated regularly in the council that directed the creation of Mexico's General Law of Population (1974) that officially introduced family planning into public health programmes. One of its new initiatives is in the area of a comprehensive programme for adolescent sexual health incorporating elements of peer training, community capacity-building, the development of age-appropriate health education materials and school-based workshops. The strategy is being widely used in other Latin American countries also. The institution is one of the leading non-governmental organizations in the area of education and medical services in sexual health for adolescents and youth.

11. The meetings of the Committee during the course of the year addressed the question of possible changes to the nomination process and the Award ceremony. The Committee agreed to recommend to the General Assembly at its fifty-fifth session the following amendments to the regulations governing the Award:

(a) Article 2, paragraph 3, which reads:

"3. The recipient or recipients of the Award shall be announced by the beginning of March each year, and the Award shall be presented by the Secretary-General in the middle of June",

would be amended to read:

"3. The recipient or recipients of the Award shall be announced not later than the end of March each year, and the Award shall be presented by the Secretary-General not later than the end of June each year";

(b) Article 3, paragraph 1, which reads:

"1. All financial resources related to the Award shall be composed of the voluntary contributions made by Member States specifically for the Award",

would be amended to read:

"1. All financial resources related to the Award shall be composed of the voluntary contributions made by Member States and any other sources specifically for the Award";

(c) Article 5, paragraph 2, which reads:

"2. Nominations shall reach the Secretary-General not later than 31 December of the year prior to the year for which nominations are to be considered",

would be amended to read:

"2. Nominations shall reach the Secretary-General not later than 1 November of the year prior to the year for which nominations are to be considered".

12. The Committee decided to recommend to the General Assembly that the role and functions of the honorary members could be further discussed with a view to

strengthening their contribution to the Population Award process without imposing any additional financial burden on the available resources.

III. Financial matters

13. As at 1 January 1999, the Trust Fund had a total of $746,751. Interest income in 1999 was $57,742. Expenditures in 1999, including the prizes, totalled $43,635. The closing balance as at 31 December 1999 was $760,858.

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Fifty-fifth session
Agenda item 57
Implementation of the resolutions of the United Nations

Letter dated 25 September 2000 from the Permanent Representative of China to the United Nations addressed to the Secretary-General

At the just-concluded Millennium Summit of the United Nations and during the general debate of the fifty-fifth session of the General Assembly, delegates from a very few countries have once again raised the so-called issue of "Taiwan's participation in the United Nations". In this regard, and upon instruction from my Government, I hereby solemnly state our position as follows:

1. The one-China principle has already been widely recognized by the international community. The great majority of Member States of the United Nations have diplomatic relations with China and they have all acknowledged that there is only one China in the world, that the Government of the People's Republic of China is the sole legal Government representing the whole of China and that Taiwan is an inseparable part of China. In 1971, at the twenty-sixth session of the General Assembly, the Assembly adopted, by an overwhelming majority, the historic resolution 2758 (XXVI), which has solved once and for all, in political, legal and procedural terms, the issue of China's representation in the United Nations. The Government of the People's Republic of China rightfully represents all Chinese, including our compatriots in Taiwan, at the United Nations and in all its subsidiary bodies. Therefore, there is simply no such issue as the so-called "Taiwan's representation at the United Nations".

2. The United Nations is an intergovernmental international organization composed of sovereign States. As a part of China, Taiwan is not eligible to participate, in whatever name and under whatever pretext, in the work or activities of the United Nations system or of the specialized agencies. However, a very few countries, instigated by the Taiwan authorities, have openly raised the so-called issue of Taiwan's "participation" in the United Nations on the platform of the General Assembly, attempting to create in the United Nations a situation of "two Chinas" or "one China, one Taiwan". Such an act is a flagrant violation of the purposes and principles of the Charter of the United Nations as well as of resolution 2758 (XXVI). It is a gross interference in China's internal affairs. The Chinese Government strongly condemns and expresses its utmost indignation over this.

00-66014 (E) 290900

3. During all of the successive sessions of the General Assembly since 1993, the General Committee has flatly refused to include in the agenda of the General Assembly the issue of the so-called Taiwan's "participation" in the United Nations. This fully demonstrates the determination of the vast number of Member States to safeguard the Charter and norms of international law as well as their strong will to preserve resolution 2758 (XXVI). We appreciate the position of the great majority of Member States who have abided by the one-China principle and opposed Taiwan's participation in international organizations composed only of sovereign States. We sincerely thank all countries that have upheld justice on the question of Taiwan and supported China's reunification. At the same time, we are confident that any separatist act, against the tide of history, to create "two Chinas" or "one China, one Taiwan" and any attempt to support such acts are doomed to failure.

4. The question of Taiwan is purely an internal matter of China, which brooks no foreign interference. To solve this question and realize the reunification of the motherland is a lofty historic mission for the entire Chinese people, including our compatriots in Taiwan. The basic policy of "peaceful reunification and one country, two systems", proposed by the Chinese Government, has not only taken into account the paramount interest of national development and the long-term interest of the entire Chinese population, but also fully accommodated and helped protect the immediate interests of our compatriots in Taiwan and Taiwan's need for development. It has been warmly supported by all Chinese, including our compatriots in Taiwan, and has been well received by the international community. The smooth return of Hong Kong and Macao to China have served as telling examples of the great success of the policy of "one country, two systems". We have every reason to believe that, in the just cause of safeguarding State sovereignty and territorial integrity, the Chinese Government and people will be able to continue to count on the Governments and peoples of the vast number of Member States of the United Nations for their understanding and support.

I have the honour to request that the present letter be circulated as a document of the fifty-fifth session of the General Assembly, under agenda item 57.

(*Signed*) **Wang** Yingfan
Ambassador Extraordinary and Plenipotentiary and
Permanent Representative of the People's Republic
of China to the United Nations

United Nations A/55/421

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Fifty-fifth session
Agenda item 9
General debate

Letter dated 25 September 2000 from the Chargé d'affaires, a.i. of the Permanent Mission of Yugoslavia to the United Nations addressed to the Secretary-General

I have been instructed by my Government to draw your attention to the statement made by the Minister for Foreign Affairs of the Republic of Albania to the fifty-fifth session of the United Nations General Assembly on 16 September 2000. By its substance and tenor, as well as by the amount of attention devoted to developments in a neighbouring country contrary to the well-established and widely honoured etiquette that Foreign Ministers customarily undertake to speak of the achievements of their own countries, the statement is illustrative of the persistence of the Republic of Albania in its policy of interference in the internal affairs of the Federal Republic of Yugoslavia, paternalism in its relations with the ethnic Albanian minority in, and the territorial aspirations towards parts of, my country. That policy is based on the long-term concept of "Greater Albania", promoted by Albanian politicians in their practical actions despite contrary public pronouncements.

The territorial aspirations of Albania towards my country are not of recent date. They run deep into history, and the recognition by the Albanian Parliament of the non-existent "Republic of Kosovo" in 1991 was only one relatively recent blatant demonstration of those aspirations. The recognition of the "Government" of Hashim Thaci, the leader of the terrorist so-called Kosovo Liberation Army (KLA), in 1999 fits the same policy pattern.

That policy, embedded in overt support to ethnic Albanian separatism and terrorism in Kosovo and Metohija, the autonomous province of the Yugoslav constituent Republic of Serbia, the provocation of border incidents and in various other threats to the territor... [illegible] ... Federal Republic of Yugoslavia, determined the role of Albania in last year's aggression of the North Atlantic Treaty Organization (NATO) against my country. Convinced that the NATO aggression was conducive to the secession of Kosovo and Metohija, Albania made its military infrastructure available to the aggressors and, by the attack of its military on the Yugoslav border area of Mount Pastrik on 9 April 1999, joined their bandwagon, one prong of the tripartite aggression of NATO, KLA and the Republic of Albania.

00-66079 (E) 290900

The deployment of the international security and civil presences provided Albania with an opportunity to further its annexationist goals. It has intensified its campaign and, to that end, opened a "liaison office" in Kosovo and Metohija, availing itself of the Regulation on the establishment of such offices in that Serbian province, brought in outright contravention of Security Council resolution 1244 (1999) of 10 June 1999 by the Special Representative of the Secretary-General and head of the United Nations Interim Administration Mission in Kosovo (UNMIK). It also allowed the "Republic of Kosovo" to open two representative offices in Tirana. The highest-ranking officials of the Republic of Albania, including its President and Foreign Minister, have visited Kosovo and Metohija, without the prior knowledge and consent of the authorities of the Federal Republic of Yugoslavia. In the words of the Albanian President, his visit last May was of historic significance, aimed at strengthening cooperation between Albania and that Serbian province.

Albania has taken a number of practical steps to prop up its expansionist policy. It opened its border with the Federal Republic of Yugoslavia, allowing for an onrush of thousands of its nationals into Kosovo and Metohija, as well as unchecked crossings of KLA terrorists and other armed ethnic Albanian groups in both directions. Needless to say, the influx, coupled with the flawed policies of the international presences and KLA terror and violence, has had a tremendous impact on the present demographic situation in that Serbian province, characterized by the ethnic cleansing of Serbs and other non-Albanians and their exodus on a massive scale. The gravity of the situation has been independently confirmed by Mr. Carl Bildt, Special Envoy of the Secretary-General for the Balkans, who said in his "weekly letter" last June that about 200,000 non-Albanians, mainly Serbs, had been forced to leave Kosovo and Metohija since the deployment of KFOR and UNMIK. He also pointed out that the situation was tense and deteriorating as violence escalated, with Serbs its principal victims.

The "concern" of the Foreign Minister of Albania in his statement for the internal stability of the Federal Republic of Yugoslavia is calculated at diverting international attention from the chaos and lawlessness in his own country, exemplified by the people's revolt of 1997 and the resultant disintegration of the entire political system of the Republic of Albania. Despite elections held under international pressure and three subsequent changes of the regime, stability and law and order have not been achieved and Albania continues to be riven by severe social problems. Moreover, Albania has become a haven of international organized crime, as well as a way station for KLA and other international terrorists en route to Kosovo and Metohija. It is also a conduit for illegal traffic in narcotic drugs, smuggling of arms and stolen vehicles, white slavery and juvenile prostitution.

The expansionism of Albania and its steady slide into lawlessness and economic backwardness are a black hole and a constant source of instability and a threat to peace in the Balkans. The consequences are felt, not only by the Federal Republic of Yugoslavia, but also by many other countries in and outside of the region. Therefore, the shift of the focus of the Foreign Minister of the Republic of Albania in his statement to the General Assembly away from the problems of his country is not only a singular display of a lack of etiquette, but also a deliberate attempt to cover up those problems and blame others for their persistence.

I should be grateful if you would have the present letter circulated as a document of the General Assembly, under item 9.

(*Signed*) Vladislav **Jovanovic**
Chargé d'affaires a.i.

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Fifty-fifth session
Agenda item 92 (c)
Macroeconomic policy questions: external debt crisis and development

Recent developments in the debt situation of developing countries

Report of the Secretary-General*

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* This report was submitted on 26 September 2000 so that the updated information required for a commentary on the latest developments could be included in this comprehensive and substantive analysis of the external debt and debt-servicing problems of the developing countries.

00-65930 (E) 161000

I. Introduction

1. In its resolution 54/202 of 22 December 1999, the General Assembly, reaffirming the urgent need for further implementation of existing mechanisms for the treatment of the external debt and debt-servicing problems of developing countries in order to help them exit from the rescheduling process and unsustainable debt burdens, addressed the possibilities of enhancing international cooperation regarding a durable solution to these problems. The Assembly requested the Secretary-General to report to its fifty-fifth session on the implementation of that resolution and to include in his report a comprehensive and substantive analysis of the external debt and debt-servicing problems of the developing countries. The present report has been prepared in response to that request.

2. An analysis of key debt indicators[1] shows that external debt and debt-servicing problems are most severe and persistent in the heavily indebted poor countries (HIPCs), the target group of the HIPC Initiative. However, a number of other developing countries and countries in transition are also in a vulnerable position. Although growth in these countries started to recover after the 1997-1998 global financial crisis, debt restructuring problems linger and countries remain exposed to adverse developments in commodity prices, interest rates, exchange rates and private capital flows. A few of them have found it necessary to reschedule their external obligations. Moreover, the debt-servicing capacity of some countries continues to be affected by war and natural disasters.

3. Various strategies have been adopted to tackle the debt problems of these countries. In this respect, the attention of the international community has over the recent past largely focused on the HIPC Initiative; but progress has been much slower than expected and the initiative is suffering from problems of underfunding, excessive conditionality, restrictions over eligibility, inadequate debt relief and cumbersome procedures. Steps have been taken to speed up the HIPC process and there is now a commitment to doubling the number of countries for which debt reduction is agreed from 10 in September 2000 to 20 by December 2000. While such an acceleration is welcome, the current approach is not likely to succeed in removing the debt overhang of the world's poorest countries. For this purpose (as discussed further in sect. III) one approach, while the existing processes are under way, would be to establish an independent panel of experts that would assess or reassess debt sustainability, eligibility for debt reduction, the amount of debt reduction needed, conditionality and financing (including the provision of necessary funds for the multilateral financial institutions affected) for all HIPC countries including those that have already benefited and those that are set to benefit from debt reduction in the coming months under the existing initiative. The latter two groups should benefit from additional debt relief if the panel determines that the debt reduction provided under the HIPC Initiative is inadequate. The design of the modalities for such an approach could be expected to draw on experience of domestic insolvency procedures in major industrialized countries as well as that of insolvency procedures in private international law. The approach should not be limited to HIPCs but should incorporate a broader spectrum of countries in need of special measures to overcome their official debt problems. Simultaneously there should be agreement on the suspension of debt-service payments by all HIPCs, with no additional consequent interest obligations being incurred, until the panel had made its recommendations and agreement had been reached on the reduction of their debts. This suspension could also be extended to non-HIPC countries declared eligible for relief by the panel during the period required for eventual agreement on debt reduction in their case.

4. Similarly, despite the proliferation of meetings and multiplications of groups and forums discussing the reform of the international financial architecture since the outbreak of the recent bouts of financial crises in emerging markets, the international community has not been able to address the concerns of developing countries concerning the contents of such reform, particularly with respect to orderly and equitable work-outs for commercial debt and provision of adequate international liquidity under appropriate terms and conditions to countries facing serious debt-servicing difficulties. Rapid progress needs to be made in these areas in order to ensure that closer integration of developing countries and economies in transition into the global financial system does not undermine their stability, growth and development.

5. This report takes up these issues. It will first give a brief review of the progress made in HIPC Initiative implementation and make an assessment of its shortcomings. The report will then turn to non-HIPC debtors, discussing their problems with respect to both

official and commercial debt. This is followed by a discussion of debt problems in emerging markets that have experienced serious financial difficulties in recent years, and of outstanding issues in commercial debt work-outs. The report will end with some proposals for reform of the international approach towards the debt problems of developing countries and economies in transition.

II. International debt problems and strategies

6. Total outstanding debt of developing countries and countries in transition showed little change in 1999. The total debt of these countries at the end of 1999 is estimated at $2,554 billion after a small increase over the end-1998 level (see table). Long-term debt increased by $40 billion, while short-term debt fell slightly and represented 16 per cent of total debt at end-1999. The debt service ratio remained broadly unchanged in 1999 at about 18-19 per cent. The ratio of total outstanding debt to exports fell to 137 per cent; and that of debt to gross national product (GNP) decreased slightly to below 42 per cent. Short-term debt corresponded to 53 per cent of the stock of foreign exchange reserves as compared with 59 per cent at the end of 1998 and with over 70 per cent at end-1997.

7. The distribution of debt among different regions remained the same in 1999 as in 1998. East and South Asia accounted for 33 per cent of the total, Latin America for 31 per cent, and Europe and Central Asia for 19 per cent, while sub-Saharan Africa's share was 9 per cent and that of the Middle East and North Africa 8 per cent. Latin America has the highest ratio of debt service to exports, about 35 per cent, while the highest debt-to-exports ratio, 225 per cent, is recorded by sub-Saharan Africa.

8. Despite the slowdown of growth of the external indebtedness of the developing countries and countries in transition, debt and debt-servicing problems persist in a number of these countries. The problems of the HIPCs, which are structurally rooted, are far from being resolved, while other poor countries have also been affected by the recent financial and economic crises in emerging markets and some of them have encountered payments problems as a result. Many of the emerging markets that have experienced financial instability and crisis in recent years are suffering from domestic as well as external debt difficulties that threaten the sustainability of their recovery.

A. The Heavily Indebted Poor Countries (HIPC) Initiative

1. Progress in design and implementation and other recent policy developments

9. The HIPCs in general are characterized by extreme poverty, poor social development indicators and human resources, poorly diversified economies, a high concentration of export earnings in a few primary commodities, and dependence on official aid as well as high debt overhang. The last-mentioned is reflected in high levels of debt in relation to national income, high ratios of debt service to exports, large payments arrears, and high ratios of debt service to government revenue. By the end of 1999, little assistance had been delivered under the HIPC Initiative, with only a negligible impact on the aggregate debt stocks and indicators of the HIPCs. According to recent available estimates,[2] the HIPCs' total outstanding external debt increased by some $4.5 billion in 1999 to a level of $219 billion, and in this year the ratio of debt to exports amounted to 389 per cent, more than twice that for developing countries as a whole and considerably above that of sub-Saharan Africa (including the region's HIPCs). There are currently 41 countries on the list of HIPCs.[3] Thirty-three of them are in sub-Saharan Africa, and 30 are classified as least developed countries.

10. Following the Cologne Summit in June 1999, a number of specific modifications to the HIPC Initiative aiming to provide "deeper, broader and faster" debt relief were endorsed at the International Monetary Fund (IMF) and World Bank Annual Meetings in September 1999.[4] Deeper and broader relief is expected to be achieved through a lowering of debt sustainability targets,[5] resulting in an increase in the number of countries to become eligible for HIPC assistance. The new scheme retains the basic framework of a two-stage process requiring an established track record of policy implementation before the delivery of relief. As before, the "decision point" — when a country's eligibility for HIPC relief is assessed — is normally reached after three years of satisfactory performance under IMF- and World Bank-supported adjustment programmes. Another feature of the new scheme is the provision of additional interim assistance for eligible countries,

External debt of developing countries and countries in transition

(Billions of United States dollars)

	All developing countries		*Sub-Saharan Africa*		*Middle East and North Africa*		*Latin America and the Caribbean*		*East Asia and the Pacific*		*South Asia*		*Europe and Central Asia*	
	1998	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*
Total debt stocks	2 536.0	2 554.0	230.1	231.1	208.1	214.2	786.0	792.7	667.5	659.4	163.8	170.7	480.5	485.9
Long-term debt	2 030.3	2 070.7	180.3	179.1	164.1	169.4	640.5	649.0	517.1	530.6	154.2	159.9	374.2	382.8
Public and publicly guaranteed	1 529.2	1 580.1	171.1	169.4	159.6	161.4	424.2	440.6	337.7	365.0	143.1	147.2	293.5	296.6
Private non-guaranteed	501.1	490.6	9.1	9.7	4.5	8.0	216.3	208.4	179.4	165.6	11.1	12.7	80.8	86.2
Short-term debt	411.9	402.3	42.5	44.7	41.0	41.8	123.5	122.6	119.1	106.1	7.2	8.5	78.6	78.6
Arrears	128.0	..	63.2	..	12.1	..	11.9	..	17.1	..	0.8	..	22.9	..
Interest arrears	36.2	40.7	20.2	20.4	2.4	2.4	3.6	3.6	2.0	2.0	0.3	0.3	7.7	12.0
Principal arrears	91.8	..	43.0	..	9.7	..	8.3	..	15.1	..	0.5	..	15.3	..
Debt service paid	316.1	349.4	14.1	15.2	22.6	21.1	125.3	140.6	84.8	103.5	16.4	15.2	52.9	53.7
Debt indicators (percentage)														
Debt service/ Exports of goods and services	18.5	18.7	14.7	14.8	14.3	11.0	33.6	34.5	13.3	14.8	18.9	14.5	14.7	14.8
Total debt/ Exports of goods and services	148.0	136.6	238.7	225.1	131.2	111.3	210.5	194.6	104.9	94.4	189.2	162.5	133.7	133.7
Total debt/ GNP	42.2	41.5	72.2	75.8	35.8	44.2	40.9	46.2	40.2	34.8	29.1	28.2	49.0	42.2
Short-term/ reserves	58.9	53.1	139.9	135.5	62.4	60.1	74.7	74.7	40.0	30.9	19.2	21.3	76.3	72.8

Source: World Bank, *Global Development Finance 2000* (Washington, D.C., 2000).
Note: Two dots (..) mean data unavailable.

including relief from IMF and the World Bank as well as more concessional restructuring of debts provided within the Paris Club framework under Cologne terms (90 per cent or higher debt reduction in present value terms as compared with 80 per cent under previously applied Lyon terms). The second stage of the process leads to the "completion point" and full delivery of HIPC assistance from participating creditors. While under the initial framework another three-year period of satisfactory policy implementation was in principle required, there is now the possibility of shortening the second stage of the HIPC process if the debtor country meets ambitious policy targets early on. Introduction of this "floating completion point" allows Governments to set their own pace of implementation of reforms.

11. A main innovation under the enhanced HIPC framework is the explicit link to poverty reduction. HIPCs are now required to present Poverty Reduction Strategy Papers (PRSPs) as part of the debt-relief process. A country aspiring to assistance under the initiative would normally be expected to have in place a comprehensive and participatory poverty reduction strategy before the decision point. In practice, interim strategies have served as a basis for the decision points for most countries now being processed under the new framework. Finalization of the PRSPs and satisfactory initial progress in implementation are expected from countries before delivery of relief at the completion point; early experience indicates that reaching this point may take one or two years. This link to poverty alleviation and the need to reach agreement on PRSPs through processes involving participation of the civil society render the HIPC process even more complex than before.

12. Up to the end of July 2000, nine countries had reached their decision points under the enhanced scheme. Bolivia, Mauritania and Uganda were declared eligible for additional relief in February 2000, Mozambique and the United Republic of Tanzania followed in April 2000, Senegal in June 2000 and Benin, Burkina Faso and Honduras in July 2000.[6] In all, these nine countries are estimated to receive more than $15 billion in nominal terms in additional debt relief, representing an average reduction in the present value (PV) of debt stocks of close to 45 per cent on top of traditional relief mechanisms. The objective is to have 20 HIPCs reach their respective decision points under the new framework by the end of 2000.[7]

13. Uganda became the first HIPC country to achieve the completion point under the enhanced HIPC Initiative in early May 2000. Bolivia was expected to reach this point during the second half of 2000, to be followed by Benin, Burkina Faso, Mozambique, Senegal and the United Republic of Tanzania in 2001, and Honduras and Mauritania in 2002. In these first cases under the enhanced framework (six reassessments taking into account the revised debt sustainability targets and three new cases), the countries have to a large extent been able to draw on pre-existing national poverty action plans and strategies for the preparation of the PRSPs that are to be presented to the Bretton Woods institutions.

14. There was no new Paris Club agreement concluded during the period from August 1999 through February 2000, while the modalities for implementing the enhanced HIPC framework were being put in place. In March 2000, Mauritania became the first country to benefit from Cologne terms under a Paris Club agreement, followed by the United Republic of Tanzania in April 2000. Both these countries obtained flow reschedulings, with notably all creditors providing debt reduction, that is to say, outright cancellation of payments due during the consolidation period. In addition, Sao Tome and Principe in May 2000 negotiated its first-ever Paris Club agreement, a flow rescheduling on Naples terms in support of the country's new Poverty Reduction and Growth Facility (PRGF) arrangement with IMF. In order to assist Mozambique in dealing with the emergency situation created by devastating floods, the Paris Club in March 2000 decided to defer all payments due until the country will have reached its completion point (scheduled for mid-2001) and arrangements for debt cancellation at that time will have been made. Similar arrangements for a one-year deferral of debt service due by Mozambique have been made by IMF and the World Bank.

15. An important development in late 1999 and early 2000 has been the commitment by an increasing number of creditor countries to granting even deeper debt relief than under the Cologne terms. In this regard, a breakthrough made towards full cancellation of (bilateral) claims was the pledge by the President of the United States of America in September 1999, in connection with the IMF and World Bank Annual Meetings, to forgive 100 per cent of debts within the context of the HIPC Initiative. Other creditor countries,

notably all Group of Seven (G-7) countries, have followed with similar declarations. In April 2000, G-7 finance ministers and central bank governors meeting in Washington, D.C., collectively committed themselves to increasing debt reduction to 100 per cent of non-official development assistance (ODA) claims treated within the Paris Club framework,[8] a commitment reaffirmed by G-7 leaders at the Okinawa Summit of July 2000.[9]

16. However, the above should not be interpreted to mean that HIPCs can henceforth expect rapid or across-the-board cancellation of their bilateral debts: cancellation would in principle be limited to countries going through the initiative, and would be dependent on their progress in economic policy reform and poverty reduction. Country coverage, the timing of relief and the coverage of debts, for example, post-cut-off date debt, may also vary from creditor to creditor. Relief also depends on legislative authorization for the release of funds.

17. HIPC-related debt issues continued to feature high in the international agenda in the wake of the Okinawa Summit. The Italian Parliament in July 2000 enacted a bill enabling the full cancellation of debts (development and commercial) owed to Italy and significantly expanding the number of potential beneficiaries beyond the HIPC category.

18. The G-8 meeting in Okinawa, however, did not advance any major new initiative on debt similar to the Cologne debt initiative a year earlier. The leaders agreed to push forward the HIPC Initiative and work together to ensure that as many countries as possible reached their decision points, in line with the targets set in Cologne. They voiced concern about the number of HIPCs currently affected by military conflicts preventing poverty reduction and delaying debt relief, and agreed to strengthen efforts to help them prepare for and come forward for such relief. They also promised to promote more responsible lending and borrowing practices to ensure that HIPCs would not again be burdened by unsupportable debt.[10] A number of other issues were also raised at the summit including the essential role of ODA in the fight against poverty and the need for an improved trade and investment environment and for faster integration of the developing countries, including the poorest, into the global economy.[11]

2. Outstanding issues

19. As of July 2000, only a small number of countries were well advanced in the HIPC process, while others have as yet to meet the requirements for entering the process; that is to say, they have not embarked on IMF- and World Bank-supported programmes and have not entered into Paris Club negotiations for concessional rescheduling. The countries concerned are almost all least developed countries suffering from civil conflict or severe governance problems, and are among the most indebted HIPCs. The Boards of IMF and the World Bank have supported extending the HIPC "sunset clause" by another two years to give countries an incentive to adopt the required programmes by the end of 2002.

20. Overall progress is affected by the laborious resource mobilization for the initiative, which is funded essentially through voluntary contributions. Agreement on the use of IMF gold holdings to help finance the Fund's participation was reached at the Annual Meetings of the Bretton Woods institutions in September 1999. Subsequently, a series of off-market transactions were conducted and completed by early April 2000, raising about $3 billion which has been invested to generate income for the initiative. Pledges of substantial new bilateral contributions to IMF and World Bank HIPC trust funds have also been made.[12] Yet full financing of the initiative is not yet assured.

21. Resources are required to meet not only the full debt-relief costs of IMF and the World Bank/International Development Association (IDA) over the expected duration of the HIPC scheme, but also those of other multilateral institutions holding claims on HIPCs, some of which are encountering difficulties in contributing their share of HIPC relief. Concerns have been expressed by some regional development banks and other financial institutions about the impact of the HIPC Initiative on their financial integrity and long-term sustainability, and on the borrowing costs for non-HIPC developing member countries. Agreements concerning the participation in the HIPC Initiative of the Inter-American Development Bank (IDB) and other regional institutions in Latin America and the Caribbean, and of the African Development Bank were reached only a few months ago.

22. If funding uncertainties remain, there is first the risk of delay in individual cases. For instance, the

finalization of the new debt-relief package for Bolivia was dependent on the participation of IDB, the country's largest creditor, as well as other regional financial institutions. Similarly, donor pledges that remained to be secured under the IDB financing framework agreed in June 2000 have held up the release of IMF interim assistance to Honduras.

23. More generally, if resource shortfalls persist, if seeking assurance on the participation of all creditors before the finalization of debt-relief packages continues to be a lengthy and difficult process, and if country cases in consequence cannot be brought forward to the decision point, then the initiative risks slowing down to a halt. A shortfall in resources could emerge as soon as late 2000, IMF's continued participation, for example, not being assured beyond this date.[13]

24. The link between poverty alleviation and debt relief under the enhanced HIPC framework raises some fundamental questions. The original objective of the HIPC Initiative was to provide a clear exit from unsustainable debt burdens, while under the enhanced framework poverty reduction has been added as another major objective. However, it remains an open question whether the mechanisms foreseen under the new framework can fulfil both these aspirations. There can be little doubt that HIPC assistance can have an important role to play in improving social spending. However, there is a danger that the current approach concentrates too much on public social spending programmes, diverting attention from the fundamental task of raising the level and productivity of investment needed to achieve the economic growth that is a prerequisite of sustained reductions in poverty.[14]

25. Some light can be shed on the latter issue by recent estimates of the United Nations Conference on Trade and Development (UNCTAD) secretariat for the external financing requirements of sub-Saharan Africa. According to these estimates, there is a need to double the existing level of official financing in order to sustain a growth rate of 6 per cent. This would mean raising the net official capital inflows by about 7 per cent of the combined gross domestic product (GDP) of the countries in the region. On the other hand, principal repayments and interest payments on official debt by these countries amounted to just under 3 per cent of their combined GDP in the past five years. This means that if countries in sub-Saharan Africa were all to be brought under the HIPC framework and granted full and immediate relief on their official debt, the amount thus released would be less than half of the external financing requirement for achieving the rate of growth needed.[15] Certainly, for HIPC countries alone, in sub-Saharan Africa and elsewhere, the external financing requirements in relation to GDP could be expected to be greater since many of them have lower domestic savings rates and private capital inflows. On the other hand, the average ratio of principal repayments and interest payments on official debt by HIPC countries over the past five years is similar to that of the countries of sub-Saharan Africa, just under 3 per cent of their combined GDP. It can thus be estimated that full and immediate debt relief to HIPC countries on their entire official debt would release resources amounting to no more than approximately one third of their additional resource requirements for achieving the growth needed to make a dent in poverty. Thus, the international community could not rely on the HIPC Initiative alone for poverty alleviation even if the initiative were to be fully and rapidly implemented.

26. This also points to the importance of additionality in the provision of resources for debt relief over and above development aid. If participating countries and institutions do not ensure genuine additionality of their contributions, debt reduction will not close the resource gap and hence improve the prospects for sustained poverty reduction. This is a serious risk in view of indications that some donors are already diverting regular aid resources to their contribution to the HIPC Initiative.

27. It cannot yet be judged precisely from the early cases whether HIPC assistance will actually succeed in lowering debt burdens to agreed targets or in maintaining debt at sustainable levels. Achievement of debt sustainability is a function not only of the amount of debt relief delivered, but also of the growth of export earnings and government revenue. A standard assumption in Enhanced Structural Adjustment Facility (ESAF)/PRGF projections, reflected in the debt sustainability analysis (DSA) papers prepared for the HIPC Initiative, is of steady robust export growth. However, the experience of the first set of HIPC countries shows that this is not always realistic. For instance, export growth in the order of 6 to 7 per cent was originally projected for Uganda for 1999/00, but recent figures indicate that exports actually fell, by around one fifth, during this period. In the case of Guyana, which reached its first completion point in

1999, qualifying under the fiscal criterion, the ratio of the present value of debt to government revenue was estimated at 410 per cent as compared with a target ratio of no more than 280 per cent. If HIPCs are to maintain debt sustainability over time, then, in estimating the amount of debt relief needed, it is important to formulate realistic projections for export earnings and government revenues, and to allow for fluctuations associated with the vulnerability of these economies to external shocks.

28. While the enhanced HIPC/PRSP initiative recognizes the importance of "ownership" by debtor Governments for its success, its design is not consistent with this objective. The poverty reduction objective has been added by creditors and donors without appropriate consultations with the debtors concerned. They also largely set the PRSP policy agenda and prescribe the modalities to be followed, leaving little autonomy to debtor countries. Creditors set the terms and conditions for debt relief, which tend to depend as much on their willingness to provide resources as on the needs of the debtor countries. The ultimate judgement on whether and when poor countries qualify for such relief is in the hands of the Bretton Woods institutions. The enhanced HIPC scheme adds a further layer of conditionality, which risks overwhelming the capacities of the debtor country administrations concerned and may effectively dilute "ownership" and autonomous policy-making. The rationale for proliferation of conditionality and cross-conditionality is highly questionable in view of mounting evidence, partly coming from the Bretton Woods institutions themselves, that this instrument is not effective in improving programme performance.[16]

29. Overall, HIPC is a cumbersome and costly process requiring extensive preparations from the debtors concerned. A lengthy consultation process is involved and a large number of documents have to be elaborated and submitted for consideration by various bodies at the successive stages of the process. Moreover, as HIPCs move forward within the process, they experience a drawn-out negotiation process that requires significant technical capacity: there are a series of Paris Club agreements to be negotiated and these are followed by bilateral agreements with individual creditors. All of this places great demands on HIPCs' scarce and already strained manpower resources.[17]

B. Non-HIPC debtors

30. There are 18 least developed countries that are not included in the HIPC category, and some of them are considered severely or moderately indebted according to the World Bank classification.[18] A number of special measures have been devised for the least developed countries such as the reliance mainly on grants in the provision of financing to them. Most least developed countries are IDA-only countries and thus in principle have access to special relief measures such as concessional rescheduling in the Paris Club and the IDA Debt Reduction Facility (DRF). Most donor countries have also extended ODA debt cancellation to the least developed countries. However, the least developed countries' external debt burden has continued to grow over time. The G-8 summit in Birmingham in May 1998 called on those countries that had not already done so to forgive least developed countries' aid-related debts or take comparable action for least developed countries undertaking economic reform.

31. Most of the debt-distressed African countries are either among the group of HIPCs or among the group of least developed countries. However, there are notable exceptions such as Algeria and Morocco in North Africa (which are classified as moderately indebted middle-income countries); Gabon and Nigeria (both severely indebted); and Zimbabwe (a moderately indebted low-income country). A discussion of African debt problems thus cannot be confined to the HIPC Initiative or special measures adopted in favour of least developed countries alone.

32. Debt-relief options for low-income countries included in neither the HIPC nor the least developed country category are restricted. Apart from Nigeria and Zimbabwe, there are six low-income countries classified as either severely or moderately indebted that belong to neither the HIPC nor the least developed country category. Moreover, there are, altogether, nine severely indebted middle-income countries some of which have similar external debt problems. Several of these countries (for example, Indonesia, Ecuador, Jordan and Pakistan) are continuing or have re-entered the process of debt rescheduling with Paris Club creditors over the past two years. Indonesia negotiated a new agreement with its official creditors in April 2000, and Ecuador entered into new talks with the Paris Club in May 2000. Pakistan's current agreement

with the Paris Club expires at the end of 2000. Nigeria, with a huge debt burden, is also expected to return to the Paris Club in the context of a programme of economic revival that received some IMF support in August 2000.

33. Some of the severely indebted low- and middle-income countries have in the past been able to obtain reduction of their liabilities to commercial banks under the Brady Plan. However, similar mechanisms do not exist for their official debts. HIPCs apart, among the countries that have over the recent past rescheduled their debts with the Paris Club, it is only the Russian Federation for which, in the 1996 and 1999 Paris Club agreements, stock treatment and comprehensive solutions to debt problems have been foreseen. Some of the debt-distressed low-income countries are "blend countries" eligible for a blend of International Bank for Reconstruction and Development (IBRD) and IDA funds, as opposed to other low-income countries that are IDA-only and have limited access to private financing. In practice blend country status has so far excluded such debtor countries from schemes providing a writing-down of obligations such as concessional reschedulings from the Paris Club, or other concessional debt-relief facilities reserved for IDA-only countries, such as those covered by the HIPC Initiative and the DRF. For such countries, official debt-relief options have to be seriously considered, including reductions at least on Toronto terms or even the extending of HIPC Initiative benefits. The same also applies in principle to severely indebted IBRD-only middle-income countries. Paris Club agreements do as a rule provide for debt conversion,[19] but experience of such programmes has been mixed: they are in general too complex to implement effectively and they have budgetary implications for the debtor countries concerned.[20]

34. Special debt-relief measures are also needed to help countries affected by war and natural disasters. Deferrals of payments recently granted in the cases of seriously affected countries following hurricane Mitch in late 1998 and the floods in Mozambique in early 2000, as well as in the context of the Kosovo crisis in 1999, provide examples of a mechanism that could perhaps be employed in other cases as well.

C. Recent conditions in markets for commercial debt

35. While HIPCs and least developed countries draw mainly on official sources for external financing, larger low-income countries as well as most middle-income countries have some access to private capital markets. In particular, bond issuance in international financial markets has come to play an increasingly important role in recent years as a source of debt financing. While in 1980 international bonds accounted for less than 5 per cent of total long-term commercial debt of developing countries, this ratio reached 40 per cent at the end of the 1990s. Bond financing is gaining importance particularly as a source of external private financing for sovereign borrowers. Taking a sample that includes five major borrowers in Latin America, plus five major borrowers in Asia,[21] which jointly account for 42 per cent of total developing-country debt, between 1995 and 1998 debt stocks in the form of bond issues increased by 38 per cent, while the total public and publicly guaranteed debt of these countries increased by only 14 per cent. Private sector bond issues have also been rising rapidly in recent years, now accounting for over 20 per cent of the total long-term private debt.

36. Following the financial crisis in East Asia, both the magnitude and terms of debt financing have undergone substantial changes. After falling sharply in 1998, the decline in net private capital inflows to developing and transition economies in the form of debt continued in 1999. The exposure of Bank for International Settlements (BIS)-reporting banks to such economies fell by 7 per cent in both 1998 and 1999. In 1999, more than 50 per cent of the total decline was due to the change in exposure to East Asia. The severe contraction in 1998 reflected the widespread withdrawal of lending facilities to countries in the region in the aftermath of its financial crisis, including for a while those linked to the financing of trade flows, while the 1999 contraction was influenced by a reduced need for borrowing due to the accumulation of foreign exchange reserves resulting from trade surpluses.

37. Net issues of international debt instruments (money-market instruments and bonds) by developing and transition economies rose slightly in 1999. Once again, issues were heavily concentrated among Latin American borrowers, and among Governments and State agencies. Much of new bond issuance in 1999

took place in the second quarter: this bunching reflected partly the bringing to the markets of bonds whose issuance had been postponed during the turbulence in international financial markets at the time of the Brazilian crisis. During the remainder of 1999, net issues continued at lower levels but issuance accelerated in the first quarter of 2000. Gross issues by Latin American borrowers continued at higher levels than net issues owing to substantial refinancing throughout the year. Elsewhere, net issuance was low. New announced bond issues in the first quarter of 2000 reached the level of $25 billion, more than 40 per cent of that for 1999 as a whole. However, such buoyancy will be difficult to sustain as rates of interest increase for major currencies.

38. The yield spreads in secondary markets on the bonds of emerging-market borrowers began the year at levels still reflecting the aftermath of the turbulence that had followed the summer of 1998. For most of these economies, the rest of the year was marked by a fall in such spreads, but this movement tended to peter out in the first quarter of 2000. While interest paid on new debt has stabilized following the sharp increases experienced after 1997, recent hikes in interest rates in the major industrialized countries have pushed up the cost of issuing new debt and have offset, at least in part, the declines in spreads over the past year.

D. Recent debt restructuring agreements

39. In the second half of 1999 and first half of 2000, Pakistan and Ukraine completed new bond restructuring arrangements. In November 1999, Pakistan offered to exchange outstanding eurobonds for a new six-year instrument with a three-year grace period; the offer was accepted by a majority of the bond holders. Ukraine in July 1999 reached an agreement to restructure a $163 million eurobond, repaying 20 per cent of the bond in cash and swapping the remaining part into a new three-year bond. Again, in February 2000, Ukraine announced an offer to exchange a portion of its outstanding debt falling due in 2000-2001 for new bonds with a maturity of seven years. The offer was accepted by more than 95 per cent of the holders of the outstanding value of debt.

40. The Russian Federation initiated negotiations with its London Club creditors shortly after the onset of the financial crisis, with the objective of a general restructuring, including debt forgiveness, of debt of the former Union of Soviet Socialist Republics. The negotiations lasted 18 months mainly because the two sides found it hard to agree on the size of debt forgiveness. Eventually, in February 2000, creditor banks agreed to write off 36.5 per cent of the face value of a total of $31.8 billion ex-Soviet debt, equivalent to $10.6 billion, compared with 40 per cent forgiveness requested by the Russian Federation. The rest of the ex-Soviet debt will be restructured into 10-year and 30-year eurobonds with a 7-year grace period. The terms of the eurobond swap are close to the 35 per cent discount that was standard in the Brady deals in the 1980s and 1990s. Over the years, commercial bank creditors had, already, in fact, by and large put aside sufficient reserves to write off their positions. Moreover, as an outcome of the negotiations, they have gained the security of holding claims against the Russian Federation. From the perspective of the Russian Government, the deal eased the pressure on the federal budget, and is expected to facilitate the country's return to the international capital markets in 2001.

41. Following the approval in February 2000 of an extended agreement with IMF in support of the country's economic and financial programme, Indonesia in April 2000 concluded a new agreement with its official creditors to reschedule principal repayments falling due over the period up to the end of March 2002. It obtained slightly more favourable terms (a slightly longer consolidation period, longer maturity for non-concessional debts, a longer grace period for ODA debts) than in the previous agreement of September 1998. Non-concessional debt was rescheduled over 15 years, including 3 years of grace, at market interest rates and with a graduated repayment schedule. ODA debts were rescheduled over 20 years including 7 years of grace. The agreement also contains a clause providing for debt conversion of up to 10 per cent of concerned outstanding credits.

42. An important change in the stock of developing-country debt available for trading in the secondary market is the considerable decline in the share of the Brady bonds. The trend of retiring outstanding Brady bonds through buy-back and exchange operations[22] had started in 1996, and after a slowdown during the Asian crisis, it picked up momentum in 1999. Five middle-income countries (Argentina, Brazil, Mexico, the Philippines and Uruguay) retired $6.8 billion of Brady bonds through discounted exchanges and open-market

debt buy-backs.[23] Bond exchanges began with relatively small amounts, but more recently some major transactions took place. In June 2000, Argentina exchanged $3.3 billion worth of Brady bonds for $2.4 billion in 15-year eurobonds. Following an earlier modest exchange, in August Brazil successfully completed an exchange of $5.22 billion of Brady bonds for $5.16 billion of 40-year callable, unsecured global bonds. This is the largest-ever emerging-market bond exchange, and at one of the longest maturities achieved by an emerging-market sovereign. The transaction freed $311 million in United States Treasury bonds as collateral and resulted in substantial savings in the present value of interest and repayments.

43. From mid-1999, Ecuador started having serious difficulties in making interest payments on its Brady bonds. As rolling over maturities would not have provided a solution, the country sought a large amount of debt reduction by offering an exchange for global bonds issued at market rates, but with a 20-year maturity period, which was rejected by the bond holders. After a number of failed attempts, bond holders accepted in mid-August Ecuador's offer to exchange $6.65 billion in defaulted Brady bonds for 30-year global bonds at a 40 per cent reduction in principal.

E. Financial crises and debt in emerging markets

1. East Asia

44. The crisis in East Asia has resulted in significant changes in the debt profile of the countries most affected, namely, Indonesia, the Republic of Korea, Malaysia, the Philippines and Thailand. This is true not so much for their overall external indebtedness as for the maturity structure of their debt and its distribution between private and public sectors. More fundamentally, external debt-servicing difficulties and currency turmoil led to sharp increases in defaults and non-performing loans (NPLs) in the private sector, including both financial and non-financial firms. As in almost every major financial crisis in emerging markets and elsewhere, management and resolution of the crisis in East Asia have necessitated massive intervention by the public sector with attendant consequences for public indebtedness and fiscal balances.

45. Commercial loans have traditionally been the main source of external debt-financing in the region, although Indonesia has a relatively important amount of official concessional finance. A large proportion of external debt of the East Asian countries was owed by private financial and non-financial firms rather than by the public sector. Many of these firms were driven into serious financial difficulties and bankruptcy by the collapse of the currencies and hikes in interest rates, even though initially most of them had been solvent. However, despite the sharp increases in bankruptcy of private debtors, the overall external indebtedness of the countries concerned has barely changed over the past two years. For instance, the recorded total external debt stock of these countries fell by a little over 1 per cent in 1999 compared with the previous year, and the decline was due to repayment of existing debt rather than writing-off of the unpayable debt of bankrupt private firms. This anomaly reflects the absence of effective, speedy and equitable debt work-out mechanisms for dealing with international claims and obligations among private agents.

46. However, there has been considerable variation among the individual countries regarding changes in their external indebtedness, reflecting disparate movements in their incomes as well as differences in the extent of debt repayment after the outbreak of the crisis. Thus, the Republic of Korea's classification has been raised by the World Bank from a "moderately indebted" to a "less indebted" middle-income country, while Indonesia has been downgraded to the status of a "severely indebted" low-income country. The other three countries most affected by the crisis (Malaysia, the Philippines and Thailand) have remained as moderately indebted middle-income countries.

47. The structure of the East Asian external debt has shown some improvement owing to a widespread lengthening of maturities: for the majority of countries with large borrowings from banks, the proportion of their exposure with a residual maturity of at least one year was about 60 per cent at the end of 1997 but by early 2000 this figure had fallen to 50 per cent or lower for countries other than Republic of Korea and Taiwan Province of China.[24] International reserves have also been rebuilt, thus enhancing the ability to service debt and absorb external shocks. Reductions in short-term indebtedness as well as the build-up of reserves have been achieved at the expense of massive cuts in

imports, deep recession and mounting social costs associated with loss of jobs and incomes.[25]

48. Gross public debt (domestic and external) increased almost fourfold in Indonesia, the Republic of Korea and Thailand over the period 1996-1999 whereas the increase was more moderate in Malaysia (some 44 per cent).[26] These figures include public borrowing from multilateral financial institutions and creditor countries as part of international rescue packages put together in response to debt-servicing difficulties. They do not include contingency claims that resulted from debt restructuring operations when Governments were obliged to provide guarantees for non-guaranteed private external debt, as, for instance, was the case for the Republic of Korea in respect of its restructuring package of January 1998. The fact that the overall stock of external debt of the crisis-stricken countries remains unchanged, means that a greater proportion of such debt is now accounted for by the public sector, even excluding contingent claims. This is consistent with the changes in the overall pattern of private debt flows to emerging markets after the East Asian crisis when non-guaranteed borrowing almost disappeared while public and publicly guaranteed debt shot up, largely as a result of the socialization of private debt.[27]

49. The increase in public domestic debt was particularly sharp in Indonesia; there had been virtually no domestic public debt in that country in 1996, but it rose sharply after the crisis, reaching $53 billion in 1999. The increase was also sizeable in the Republic of Korea and Thailand where the stock of public debt had risen from some $7 billion in 1996 to $15 and $24 billion respectively in 1999.[28] These increases resulted from domestic rescue packages as well as mounting fiscal deficits that had emerged with the onset of recession and the hike in interest rates.[29] A comparison with the debt crisis of the 1980s shows that not only was the external debt accumulation in East Asia far in excess of that in Latin America, but it also gave rise to a much larger amount of internal lending.[30] Resolution of the domestic debt burden constitutes a more important problem for most countries in the region than the servicing of external debt. In this sense, the external financial crisis created a domestic debt overhang in the private sector whose resolution requires considerable public intervention.

50. Countries suffering from increased defaults and NPLs have adopted different strategies for intervention in financial and corporate restructuring.[31] Moreover, restoring solvency has required financial engineering on both the asset and liability side of the bank's balance sheet. The losses created by revaluing the bad loans on the asset side had to be covered by injecting new capital. The instruments used in rescue operations have differed among countries, but in general, the recapitalization cost is estimated to have been large, reaching $50 billion in Indonesia, $33 billion in Thailand and $26 billion in the Republic of Korea.[32] The specialized agencies created to take over bad debt have attempted either to collect it from the borrower or to take possession of the underlying assets in order to realize their value through sales in the market. However, the absence of modern bankruptcy laws in many countries impeded the rapid transfer of ownership of the underlying collateral to creditors or the specialized agencies.[33] While the Republic of Korea and Malaysia have progressed further than the other countries in the resolution of bad domestic loans, the process is far from complete, suggesting that economic recovery may be more fragile than it appears.

51. In assessing the sustainability of the current recovery in East Asia, it is also important to note that so far global conditions have generally been favourable. In particular, the strength of United States growth has been an important factor in the expansion of exports from the region. However, external payments in the region are moving towards deficits, and maintaining imports may depend on renewed capital inflows. Moreover, a large amount of external debt has been rolled over with maturity falling due over two years. Therefore, rising foreign interest rates could pose a dilemma: attracting foreign capital would call for higher domestic interest rates which, in turn, could stifle growth and aggravate the difficulties of the banking system, adding to the associated pressures for increases in domestic public debt.

2. The Russian Federation

52. The Russian Government, for the purpose of maintaining international investor confidence, has been distinguishing between debts taken over from the ex-Soviet Union and those incurred subsequently. Total foreign currency-denominated Russian debt amounted to $148 billion at the end of 1999, about two thirds of which had been inherited from the former Soviet Union.[34] The remaining one third of foreign debt has been contracted since the founding of the Russian Federation in 1992. The ex-Soviet debt has been

rescheduled a number of times, while greater efforts were made to service the Russian Federation debt in full and on time until the financial crisis of August 1998 which was followed by a restructuring of the Government's short-term external obligations.

53. By world standards, the Russian foreign debt-to-GDP ratio appears relatively modest, and the debt-service burden manageable. Total debt was less than 60 per cent of GDP before the de facto devaluation of the ruble in August 1998. Although the ratio of debt to GDP subsequently underwent a sharp increase, at some 70 per cent of projected GDP in 2000,[35] it is still moderate compared with that of many debt-distressed developing countries. However, given the ineffective tax collection and massive capital outflows estimated at more than $20 billion annually,[36] the central Government has found it difficult to generate enough revenues and foreign currency to meet debt service. The debt-service burden was alleviated somewhat in the latter half of 1999 by the improvement of the economic situation which has been mainly the result of high oil prices and of the devaluation of the ruble but also of improved tax collection and reduced capital outflow. The improvement of the payments position of the Russian Federation has continued in 2000 with the strengthening of oil prices. This is manifested in a sizeable trade surplus and rising foreign exchange reserves. However, a number of structural and institutional shortcomings that led to the 1998 crisis are still present.

3. Latin America

54. The economic situation in Latin America deteriorated further in 1999 as the region continued to suffer from the impact of the international financial crises for a second consecutive year, and economic downturn deepened in many countries in the wake of the Russian crisis. Aggregate output of the region stagnated for the first time since 1990, after growth had already fallen to less than 2 per cent in 1998. As pressures on currencies mounted, there was a movement towards greater flexibility of exchange rates. In general, the access of Latin American countries to external financing has been less affected by recent events than that of East Asian countries. While the latter resorted to external surpluses to finance capital outflows, in Latin America there was a substantial deficit on current account, financed by capital inflows through various channels, including FDI, through which sharp cuts in domestic absorption and activity were thereby averted. However, for the countries worst affected such as Ecuador, Colombia and Venezuela, access to international markets remained restricted. Moreover Argentina's currency regime was subjected during 1999 to pressures linked, inter alia, to a severe recession and shifting external perceptions of creditworthiness.

55. The difference in performance between Brazil and Argentina provides a useful contrast for comparing alternative policy approaches. Until the beginning of 1999, policies in both countries were designed to defend exchange-rate regimes through high interest rates and fiscal restraint. High interest rates had caused structural imbalances as the interest cost of outstanding government debt more than offset primary budget surpluses, and the increased servicing costs of foreign debt offset improvements in export performance. As a result, both countries experienced a progressive loss of international investor confidence and severe pressures on their external payments positions.

56. In Brazil, since most foreign investors and local banks had been expecting the exchange-rate adjustment, capital outflows after the suspension of the peg were not substantial. Continued privatization sales to foreigners, as well as the return of optimism due to increased competitiveness and relaxation of policies, produced a recovery of FDI inflows and a swift return to the debt markets. The currency stabilized and interest rates were steadily reduced, providing a sharp reduction in the fiscal deficit and improvement in external debt servicing. The economy grew by about 1 per cent in 1999, a much higher rate than generally forecasted, and registered an annual growth rate of more than 3 per cent in the first quarter of 2000. In contrast to the growth of Brazil, Argentina's growth has been below expectations after the successful defence of its dollar peg, suggesting that, under capital flight, currency depreciations are less damaging than hikes in interest rates, particularly when the exposure to currency risk in the private sector is limited. In addition to experiencing a sharp reduction in exports to Brazil as a result of the currency adjustment, Argentina was adversely affected by the high real interest rates needed to support the exchange rate. Since the Government depends heavily on external financing to meet fiscal deficits, the increased burden of external debt has been accompanied by an accentuation of fiscal pressures.

57. The most severe financial difficulties in Latin America have been encountered by Ecuador which also suffers from both domestic and external debt problems. In October 1999, it became the first country to default on Brady bonds when the Government announced its decision to reschedule this debt, deferring payments up to seven years with a two-year grace period and reducing the interest rate. The dollarization plan announced in January 2000 and an open capital account effectively eliminate the distinction between domestic and external debt, aggravating the difficulties associated with loss of confidence. In combination with political uncertainties, the decision to default led to capital outflows of some $2.5 billion in 1999, about 20 per cent of GDP. These outflows had to be financed through deflation and drawing on international reserves. An initial drop in exports together with a sharp depreciation of the currency led to a further deterioration in the asset quality of an already weak financial system, generating a credit crunch and deepening the contraction of domestic demand. Since most external debt is owed by the public sector, the resulting difficulties are as much on the fiscal side as related to the balance of payments. In addition to the need to generate adequate foreign exchange to meet debt servicing, there is a domestic budgetary transfer problem of the kind experienced by many Latin American countries during the 1980s, since a budgetary surplus needs to be generated by net resource transfers from the private sector.

F. Issues in commercial debt work-outs

1. Financial crises, debt standstill and work-outs

58. Recent financial and international crises in a number of developing and transition economies have shown that there are considerable shortcomings in international arrangements for commercial debt work-outs. In particular, the absence of effective mechanisms for involving private creditors in the prevention and resolution of crises has not only meant that liquidity crises all too frequently develop into widespread defaults and bankruptcies, but also resulted in unequal and unfair distribution of the burden of crisis resolution between debtors and creditors as well as among the creditors themselves.

59. After the East Asian crisis, it has been increasingly suggested that an effective way of dealing with the rapid exit of creditors and speculative attacks on currencies would entail recourse to the principles of orderly debt work-outs along the lines of the national bankruptcy legislation of some major creditor countries, particularly chapter 11 of the United States Bankruptcy Code. The application of such principles could end the anomalous situation whereby debtors are judged de facto bankrupt without benefiting from the financial protection and relief that would accompany a de jure bankruptcy in major industrialized countries. These principles are especially relevant to international private debt crises resulting from liquidity problems because they are designed primarily to address financial restructuring rather than liquidation. They allow a temporary standstill on debt servicing based on recognition that an asset grab race by the creditors is detrimental to the debtor as well as to the creditors as a group. They provide the debtor with access to working capital needed to carry out its operations, while granting seniority status to new debt. Finally, they involve reorganization of assets and liabilities of the debtor, including extension of maturities, and, where needed, debt-equity conversion and debt write-off.

60. Naturally, the application of bankruptcy principles to cross-border debt involves a number of complex issues. The most contentious issue is the standstill mechanism. Clearly, to have the desired effect on currency stability, debt standstills should be accompanied by temporary exchange controls over capital-account transactions by residents and non-residents alike.

61. A possible drawback of such a standstill is that it may undermine confidence further, accelerate capital flight through informal channels and deepen contagion. However, the historical record does not necessarily support this argument. In this respect, the recent Malaysian experience with standstill holds some useful lessons. It was temporary and selective, and highly successful in bringing exchange-rate stability, reducing interest rates and preventing a deepening of recession. When the controls were lifted in September 1999, there was only a limited amount of capital outflow, and the country soon enjoyed an upgrading of its credit rating and normalized its relations with international capital markets.[37] Moreover, other evidence does not indicate that standstills have a long-term adverse impact on the access to international financial markets of the country imposing them.[38]

62. The international intervention in financial crises has indeed involved eventual recourse to standstills as

well as debt work-outs. For instance, during the Asian crisis, the Republic of Korea creditors eventually agreed to a standstill and rollover of short-term loans. However, for a number of reasons such arrangements did not attain the objectives sought by orderly debt work-out procedures. First, they invariably came after the collapse of the currencies and hike in interest rates, thereby failing to prevent widespread insolvencies. Thus "many of those who have analysed (the Republic of) Korea's 1997-1998 crisis contend that (the Republic of) Korea could have solved its liquidity problems sooner had a standstill mechanism been in place at the time it requested IMF assistance".[39] Second, official lending in such work-out exercises is typically designed primarily to bail out creditors rather than to provide balance-of-payments support to enable countries to finance current operations. Third, in the restructuring process, Governments are usually forced to assume private debt. Finally, creditors often tend to secure highly favourable terms on restructured debt.

2. Bond financing and reorganization

63. In view of the rapid increase in the share of bonds in external financing of developing countries, bond restructuring has gained added importance, particularly for sovereign borrowers. The notion that sovereign bonds as well as bank loans may need to be restructured has only very recently been accepted by the international community (though not necessarily by all segments of financial markets): most sovereign debtors that had issued bonds in the 1970s and 1980s remained current on such obligations during the debt crisis of the 1980s, while rescheduling and restructuring their commercial bank debt. As noted above, Ecuador, Pakistan and Ukraine are three recent examples of countries involved in bond reorganizations. In the case of the latter two countries, this involved only the extension of principal maturities rather than relief since reorganization was undertaken on a mark-to-market basis.

64. As for commercial bank debt, there are no established mechanisms for restructuring sovereign bonds. Moreover, there are serious difficulties in bond restructuring compared with rescheduling and restructuring of commercial bank debt, particularly syndicated credits.[40] First of all, there is a communication problem between the bond issuer and holders. In general, bond holders are anonymous and include a variety of investors, both individual and institutional. This problem is further aggravated by trading in secondary markets. This was less of a problem for Pakistan where bond holding was concentrated than for Ukraine where it was spread among numerous retail holders. Moreover, there are legal impediments to establishing communication mechanisms between issuers and holders as well as to dealing with non-participating holders, particularly under the laws of New York State or of England where most sovereign bonds have been issued. Current arrangements also encourage hold-outs since sovereign issuers are often required to include a waiver of sovereign immunity as part of the terms and conditions of the bonds. Thus, sovereign debtors do not enjoy the protection accorded to private debtors under insolvency procedures which tend to overrule hold-outs and eliminate free riders.

65. There are a number of proposals for dealing with these problems and providing a basis for orderly sovereign bond work-outs. These include adding provisions to international bond contracts for automatic triggers or changes in payment conditions; majority action and collective representation clauses to deal with hold-out creditors and secure binding agreements for all bond holders; and sharing clauses to deter litigation. At present, an important main concern of developing-country borrowers is that inclusion of such clauses may reduce their access to financial markets and raise the cost of bond financing by giving wrong signals to the market. Overcoming these problems may require an international mandate for introduction of such clauses into all international bond contracts, including those issued by major industrialized countries. While a number of industrialized countries have in fact already started using such clauses in their bond contracts, this practice is far from universal.

3. Comparability and burden-sharing between private and official creditors

66. An important issue that has emerged from official interventions in emerging market crises and debt negotiations is the question of "comparability" and "burden-sharing" between the private and official creditors. Official bail-out operations in recent emerging market crises have increasingly been criticized as risking public money to bail out private creditors, and suggestions have been made that public assistance should not be made available unless debtors obtain some relief from private creditors. More

recently, Paris Club creditors advised Pakistan to seek "comparable treatment" from its private bond holders by rescheduling its eurobond obligations. A similar request was subsequently put forward by the Paris Club to Nigeria. In this case, official creditors appear to have demanded that commercial counterparts such as bond holders be included in a final settlement and accept the terms of a restructuring prior to the conclusion of a Paris Club agreement.

67. An equally important question is whether burden-sharing should be symmetrical when official negotiations are preceded by private creditor agreements. Some private creditors have been challenging the "fairness" of the current burden-sharing implicit in commercial and official debt work-outs, pointing out that official creditors as compared with private creditors do not show matching generosity in debt restructuring. This issue of "reverse comparability" is likely to arise in future official debt negotiations. As noted above, the Russian Federation has obtained a large amount of debt reduction from its London Club creditors, and the expectations of commercial creditors and the Russian Government appear to be that the next round of Paris Club negotiations should match the debt reduction accorded by private creditors. Again, private creditors of Ecuador have agreed to a deal before its official creditors, and its Paris Club negotiations are likely to involve the question of reverse comparability.

68. The emphasis on burden-sharing and comparable treatment between private and official creditors constitutes a major advance over the debt strategies adopted during the 1980s as well as the more recent emerging-market crises when official intervention in debt crises was designed primarily to keep sovereign debtors current on debt servicing to private creditors, and when the seniority accorded to multilateral debt went unchallenged. However, it should be added that the emphasis on burden-sharing among creditors should not overshadow the more important question of equitable treatment of debtors and creditors.

III. International policy conclusions

69. The analysis above shows that there are serious shortcomings in the international approach to the debt problems of developing countries and economies in transition. Overcoming these difficulties would call for action on three fronts: the HIPC Initiative, the official debt of non-HIPC countries, and commercial debt.

70. The HIPC Initiative has received considerable support in the international community as a comprehensive and coordinated approach based on a recognition of the need to reach a sustainable debt position for the countries concerned in the context of growth and development. However, so far it has progressed only in incremental steps, and even with the acceleration up to the end of 2000 in the number of countries benefiting from agreed debt reduction, the initiative is unlikely to reach the objectives set. The problems associated with its design and implementation suggest that even the enhanced HIPC Initiative does not provide an adequate response to HIPCs' debt problems. A bolder approach will have to be taken to remove the debt overhang of the world's poorest nations.

71. This new approach might take the form of an objective and comprehensive assessment by an independent panel of experts not unduly influenced by creditor interests, while the existing processes are under way. Such an assessment, which should not be restricted to HIPC countries but should also encompass other debt-distressed low-income and middle-income countries, should naturally include debt sustainability, eligibility for debt reduction, the amount of debt reduction needed, conditionality, and modalities regarding the provision of necessary funds, including those for the multilateral financial institutions affected. There should also be a commitment on the part of creditors to implementing fully and swiftly any recommendation of this panel regarding the writing-off of unpayable debt. Moreover, in future, HIPCs and other countries covered by the panel's recommendations should benefit from new aid resources in grant form or on highly concessional terms, in order to avoid the renewed build-up of an unsustainable debt burden.

72. There should also be an immediate suspension of the debt-service payments of all HIPCs, with no consequent additional interest obligations being incurred until the panel has made its recommendations and agreement has been reached on reduction of their debts. This suspension should also be extended to non-HIPC countries declared eligible for debt relief by the panel during the period until agreements on the debt reduction in their case are reached.

73. It is notable that a recent independent commission of experts from different schools of thought appointed by the United States Congress, the Meltzer Commission, has made proposals that go well beyond the scope of the HIPC Initiative.[41] The Commission agreed unanimously on the desirability of writing off all multilateral claims against HIPCs that had implemented an effective development strategy. It also recommended that bilateral creditors should similarly write off these countries debts, and that grants rather than loan-based funding should be used in the majority of programmes. These specific recommendations should not be ignored in the controversy over the Meltzer Commission's other proposals.

74. The point is not, of course, to see full and swift debt relief as a panacea for the deep-seated policy challenges facing these countries. It would, however, be one less problem for their policy makers to deal with. Many of these countries are unable to meet their external debt-servicing obligations, and for them debt relief will simply formally acknowledge a situation that already exists and stop the accumulation of arrears that are unlikely ever to be paid.

75. Reform of the international strategy regarding the official debt of poor countries should also address the problems of debt-distressed low-income countries that are not currently eligible for the special treatment accorded to the HIPCs. Non-HIPC least developed countries and other debt-distressed low-income countries should not be excluded from consideration under the HIPC Initiative. Indeed, an independent assessment of debt sustainability and eligibility is likely to bring many such countries into the group needing rapid and sizeable relief on bilateral and multilateral debt. Some of the severely indebted middle-income countries may also require such arrangements, and as a first step it may be desirable to extend bilateral ODA cancellation and concessional rescheduling of other official debts to such countries.

76. It is also important to recognize that countries that are seriously affected by war and natural disasters and that face serious problems of reconstruction and recovery require debt relief as well as urgent assistance regardless of their longer-term prospects and debt profiles. Various measures could be envisaged, ranging from automatic standstill and rollover for countries brought under the United Nations emergency rules to outright cancellation of debts.

77. For commercial debt, establishing orderly and equitable work-out procedures with explicit responsibilities of creditors and debtors and well-defined roles for public and private sectors remains the most important step that should be taken. Serious consideration should be given to a number of different proposals that have recently been advanced in this context: firstly, the introduction of emergency standstills which would be mandated by IMF members, as proposed by the Canadian Government;[42] secondly, the introduction of arrangements setting the terms for pre-qualification for unilateral standstill decisions; and thirdly, empowering an independent panel to sanction such decisions ex post facto in a way analogous to the procedures of World Trade Organization safeguard provisions that allow countries to take emergency actions. Again, consideration should be given to the establishment of an international mandate for the introduction of covenants in international bond contracts enabling debtors to alter payment conditions when faced with severe financial difficulties.

78. Given the volatility of private capital flows and increased frequency of liquidity problems in emerging markets, provision of international liquidity, as well as temporary standstills, should constitute an essential component of an effective international financial architecture. While the recently adopted practice of lending into arrears by multilateral financial institutions is a welcome development, it is important to ensure that such lending would not simply bail out private creditors, but actually help the debtors to finance their current-account transactions. Furthermore, conditions attached to such lending should not interfere with the proper jurisdiction of sovereign Governments, and should be confined to macroeconomic and financial variables.

Notes

[1] The debtor countries included in this analysis are the low- and middle-income countries (developing countries and countries in transition) covered by the World Bank Debtor Reporting System (DRS). The main data sources are the World Bank, *Global Development Finance 2000* (Washington, D.C., 2000), the joint Bank for International Settlements (BIS)-International Monetary Fund (IMF)-Organisation for Economic Cooperation and Development (OECD)-World Bank statistics on external debt and IMF, *World Economic Outlook, May 2000* (Washington, D.C., 2000).

[2] IMF, *World Economic Outlook, May 2000*.

[3] The most recent amendment to the list is the addition of Gambia in 2000.

[4] For a discussion of the Cologne debt initiative, see also A/54/370, paras. 43-57.

[5] Under the new framework, the present value of debt is to be reduced to a maximum of 150 per cent of exports (as compared with a range of 200-250 per cent under the original framework) and 250 per cent of government revenue (previously 280 per cent). The amount of debt relief to be delivered is determined at the decision point, based on actual data.

[6] Of these, Bolivia, Uganda and Mozambique had already reached the completion point under the original framework.

[7] Cf. World Bank and IMF, "The enhanced initiative for heavily indebted poor countries: review of implementation", 7 September 2000.

[8] Statement of Group of Seven (G-7) finance ministers and central bank governors, Washington, D.C., 16 April 2000.

[9] G-7 statement, Okinawa, 21 July 2000.

[10] Group of Eight (G-8) communiqué Okinawa 2000 (A/55/257-S/2000/76, annex), Okinawa, 23 July 2000.

[11] Cf. also "Poverty reduction and economic development", report from G-7 finance ministers to the heads of State and Government, Okinawa, 21 July 2000.

[12] As of end-July 2000, the World Bank HIPC Trust Fund had received close to $2.6 billion in contributions and pledges from over 20 countries.

[13] See "Heavily Indebted Poor Countries Initiative and Poverty Reduction Strategy Papers: progress reports", memorandum from James D. Wolfensohn and Horst Köhler to members of the International Monetary and Financial Committee and members of the Development Committee, 7 September 2000.

[14] See further, for example, Tony Killick, "HIPC II and conditionality: business as before or a new beginning", paper commissioned by the Commonwealth Secretariat for the policy workshop on debt, HIPC and poverty reduction, London, 17 and 18 July 2000.

[15] See UNCTAD, *Capital Flows and Growth in Africa* (Geneva, UNCTAD 2000) (UNCTAD/GDS/MDPB/7).

[16] See Killick, loc. cit.

[17] Other debtor countries rescheduling with official creditors encounter similar problems.

[18] See World Bank, *Global Development Finance 2000*. "Debt-distressed" in the following refers to both severely and moderately indebted countries. Afghanistan and the Comoros are classified as severely indebted, while Bangladesh, Cambodia, Equatorial Guinea, Haiti and Samoa are classified as moderately indebted.

[19] Debt conversion involves the exchange of debt for another liability or the cancellation of debt in return for an expenditure by the debtor. This includes, for example, the swapping of government debt for equity in privatized enterprises, or for the financing of environmental, developmental and educational schemes.

[20] See, for example, "Finding solutions to the debt problems of developing countries", report of the Executive Committee on Economic and Social Affairs of the United Nations, December 1999.

[21] Argentina, Brazil, Chile, Mexico and Venezuela in Latin America; Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand in Asia.

[22] In debt buy-backs, the debtor country takes advantage of the discount in the secondary market to buy back the debt, and the operations are financed either out of foreign exchange reserves or through the issue of new bonds. Exchanges of Brady bonds involve their replacement by new issues of the international bonds before their maturity.

[23] See, further, World Bank, *Global Development Finance 2000*, appendix 2.

[24] See "Supervisory lessons to be drawn from the Asian crisis", *Basel Committee on Banking Supervision Working Paper, No. 2* (Basel, BIS, June 1999), tables 2 and 5; and BIS, "BIS-consolidated international banking statistics for end-December 1999", *Press Releases*.

[25] For an analysis of the crisis and recovery in East Asia see, UNCTAD, *Trade and Development Report, 2000* (United Nations publication, Sales No. E.00.II.D.19), chap. IV.

[26] See World Bank, *East Asia: Recovery and Beyond* (Washington, D.C., May 2000), table 5.1.

[27] See UNCTAD, *Trade and Development Report, 1999* (United Nations publication, Sales No. E.99.II.D.1), chart 5.4.

[28] See World Bank, *East Asia: Recovery and Beyond* ...

[29] Ibid., table 5.1 and figure 5.2.

[30] See UNCTAD, *Trade and Development Report, 1998* (United Nations publication, Sales No. E.98.II.D.6), Part one, chap. III, sect. D, p. 71, and table 31.

[31] For different strategies, see UNCTAD, *Trade and Development Report, 2000* ..., box 4.2.

[32] World Bank, *East Asia: Recovery and Beyond* ...

[33] For a discussion of how these agencies operated, see UNCTAD, *Trade and Development Report, 2000* ..., box 4.2.

[34] IMF, *World Economic Outlook, May 2000*.

[35] Ibid.

[36] IMF, "Capital flight from Russia", Policy Discussion Paper, June 2000.

[37] For the rationale, nature and effects of these controls see UNCTAD, *Trade and Development Report, 2000* ..., box 4.1.

[38] As the Deputy Governor of the Bank of England, David Clementi, put it in a recent speech: " ... would standstills risk cutting off capital flows to the emerging markets — if you like, killing the goose that lays the golden egg? History offers some clues here. For example, there appears to be no evidence from 1930s experience of defaulting countries having fared worse than non-defaulting countries in terms of subsequent output growth. And looking across a broader sweep of history, some empirical evidence has failed to find any discernibly negative long-term effect of a country's prior debt-servicing record on the terms or volume of its borrowing." See *BIS Review*, 70/2000.

[39] Ministry of Finance and Economy, Republic of Korea, Group of 20 (G-20) report, *Korea's Crisis Resolution and its Policy Implications*, p. 13, December 1999.

[40] On the problems involved in bond restructuring, also see further "Sovereign debtors and their bondholders", United Nations Institute for Training and Research (UNITAR) training programmes on foreign economic relations, Document No. 1; and A. de la Cruz, "The new international financial architecture: Has 1999 (Ecuador and others) changed anything?", paper presented to the Debt Management and Financial Analysis System (DMFAS) Conference on Debt Management, April 2000.

[41] *Report of the International Financial Institution Advisory Commission* (Meltzer Commission), March 2000, executive summary and chap. 2.

[42] Canada, Department of Finance, "Canada's six-point plan to restore confidence and sustain growth", September 1998.

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Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Senior-level appointments in the United Nations, its programmes and funds" (JIU/REP/2000/3).

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SENIOR-LEVEL APPOINTMENTS IN THE UNITED NATIONS, ITS PROGRAMMES AND FUNDS

Prepared by

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JOINT INSPECTION UNIT

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ACRONYMS

ABSP	Advisory Board for Senior Postings
ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
APB	Appointment and Promotion Board
APC	Appointment and Promotion Committee
APPB	Appointments, Promotions and Postings Board
ASG	Assistant Secretary-General
DESA	Department of Economic and Social Affairs
DSG	Deputy Secretary-General
EOD	Entry-on-duty date
EOSG	Executive Office of the Secretary-General
FAO	Food and Agriculture Organization of the United Nations
HRS	Human Resources Service
ICC	International Computing Centre
ICSC	International Civil Service Commission
JCGP	Joint Consultative Group on Policy
JIU	Joint Inspection Unit
OCSS	Office for Conference and Support Services
OHRM	Office of Human Resources Management
OIOS	Office of Internal Oversight Services
OLA	Office of Legal Affairs
OPPBA	Office of Programme Planning, Budget and Accounts
PAS	Performance Appraisal System
SRG	Senior Review Group
SSRC	Senior Staff Review Committee
UNAT	United Nations Administrative Tribunal
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNCTAD	United Nations Conference on Trade and Development
UNDCP	United Nations Drug Control Programme
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Human Rights
USG	Under-Secretary-General
WFP	World Food Programme
WGUNS	Open-ended High-level Working Group on the Strengthening of the United Nations System

EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

OBJECTIVE

To propose measures with a view to ensuring improvement in: (a) selection of the best qualified candidates ; (b) transparency of recruitment; (c) geographical distribution of senior-level posts; and (d) streamlining of relevant policies and procedures.

Article 101, paragraph 1, of the Charter of the United Nations stipulates that "[t]he staff shall be appointed by the Secretary-General under regulations established by the General Assembly." The General Assembly, in section I, paragraph 3, of its resolution 53/221 of 23 April 1999, emphasized that proposals on the reform of human resources management requiring an amendment of the regulations and rules or a departure from the provisions of its prior resolutions, should be submitted to the Assembly for its consideration and approval before their implementation.

A. Appointments of top echelon officials

Appointments to the Secretariat's top positions are of critical importance and fall under the discretionary power of the Secretary-General.[2] No standard recruitment or promotion procedures are applied in respect of these positions.

The Secretary-General reported that, with regard to senior-level appointments, he, as and when necessary, consults with an informal group of independent advisers established in 1997.[3] Subsequently, the Secretary-General expressed his determination: (*a*) to seek the widest possible spectrum of views in order to ensure that appointments made by him are of the highest calibre; and (*b*) to continue to benefit, for the same purpose, from consultations with Member States on such appointments.[3] The scope of the latter consultations needs, however, to be widened.

Recommendation I

The Secretary-General, prior to making appointments at the levels of Under-Secretary-General and Assistant Secretary-General, should consult thereon with Member States on a broader basis (see paras. 33-40).

The current Staff Regulations stipulate that "Appointment of Under-Secretaries-General and of Assistant Secretaries-General shall normally be for a period of five years, subject to prolongation or renewal."[4] This general provision does not include modalities relating to the appointment of the DSG and USG for IOS, nor does it specify a maximum term of office for top level officials.

Recommendation II

The General Assembly may wish to decide that staff regulation 4.5 should be amended to read as follows:

"Regulation 4.5:

"(*a*) The Deputy Secretary-General shall be appointed in the manner provided for in General Assembly resolution 52/12 B of 17 December 1997, Section A, paragraph 2, for a term of office which will not exceed that of the Secretary-General;

"(*b*) The Under-Secretary-General for Internal Oversight Services shall be appointed in the manner provided for in General Assembly resolution 48/218 B of 29 July 1994, paragraph 5 (*b*) (ii), for one fixed term of five years without possibility of renewal;

"(*c*) Appointment of Under-Secretaries-General and of Assistant Secretaries-General shall normally be for an initial period of up to five years, subject to prolongation or renewal so that the total term of office should not exceed ten years;

"(*d*) Other staff members shall be granted either permanent or temporary appointments under such terms and conditions consistent with the present Regulations as the Secretary-General may prescribe;

"(*e*) The Secretary-General shall prescribe which staff members are eligible for permanent appointments. The probationary period for granting or confirming a permanent appointment shall normally not exceed two years, provided that in individual cases the Secretary-General may extend the probationary period for not more than one additional year." (See paras. 32-35 and 41.)

To date, no vacancy notices for top echelon posts are published, nor are relevant job descriptions established. More transparency in this area would lead to the broadening of the pool of candidates and, consequently, would facilitate the task of the Secretary-General in finding the best qualified person for any given post.

Recommendation III

The Secretary-General should advise in advance Member States of vacancies at the levels of Under-Secretary-General and Assistant Secretary-General as well as of responsibilities related to these positions and qualifications required from candidates (see para. 41).

B. Appointments to posts of Director (D-2) level

The importance of appointment to D-2 level posts cannot be over-emphasized. Constituting predominantly heads of divisions, the incumbents of these posts are often invested with the responsibility of managing dozens of officials. They are required to have a broad range of competencies and to exercise effective leadership of different kinds of specialists in a cross-cultural environment. The management culture in the United Nations Secretariat will not improve unless selection criteria as well as policies pertaining to and modalities for appointment of officials in this category are reviewed.

Recommendation IV

The General Assembly may wish to decide that the modalities of appointment to posts at the D-2 level should be as follows:

(*a*) In selecting candidates, whether internal or external, emphasis should be placed on identifying those who are achievement-oriented and have proven managerial competencies and leadership skills (e.g., strategic view; human relations; creative analysis and conceptual thinking; adaptability and flexibility);

(*b*) Newly-recruited staff at the D-2 level or holders of fixed-term appointments, selected for posts at this level, should be granted initial contracts for a period not exceeding five years;

(*c*) Not later than six months before the expiration of the initial contract of a staff member occupying a D-2 post, the position should be advertised both internally and externally;

(*d*) The incumbent should be allowed to present his/her candidacy for the post on the same basis as all other candidates, provided that performance evaluation reports for his/her service at the post are submitted together with his/her application (see paras. 42-44).

Recommendation V

The Secretary-General, in his report on the composition of the Secretariat, should provide information on appointments he has made at the D-2 level with indication of nationality, gender and type of contract granted (new or renewed) (see para. 45).

C. Geographical representation in senior level positions

Many Member States, in particular developing countries, continue to be inadequately represented in senior-level positions. Furthermore, there is still an imbalance in geographical distribution of these posts among developing countries.

Recommendation VI

The General Assembly may wish to draw the Secretary-General's attention to the continuing inadequate representation of many Member States, particularly developing countries, in senior-level posts and to request him to take measures aimed at improving this situation. It may also wish to invite the Secretary-General to inform the General Assembly at its fifty-sixth session, on these measures within the framework of his report on the composition of the Secretariat (see paras. 18-26).

In a number of its resolutions on human resources management issues, the General Assembly stressed that no post, including at senior-levels, should be considered the exclusive preserve of any Member State or group of States. This practice, however, continues.

Recommendation VII

The Secretary-General should pay particular attention to the repeated statements by the General Assembly to the effect that no post, including at senior levels, should be considered the exclusive preserve of any Member State or group of States (see para. 36).

D. Representation of women

Despite some improvement in gender balance in senior-level posts in the Secretariat over the last decade, the representation of women at the USG and ASG levels is still low (12.5 per cent in 1999). Progress in appointing women from developing countries and countries with economies in transition to senior level and policy-making posts is slow.

Recommendation VIII

The General Assembly may wish to draw the attention of the Secretary-General to the need to:

(*a*) Improve gender balance in posts at the Under-Secretary-General and Assistant Secretary-General levels;

(*b*) Place special emphasis on better representation of women from developing countries as well as from countries with economies in transition in senior-level positions (see paras. 27-28).

E. Appointments to posts of Special Representative, envoy and related positions

The available data suggests that the principle of selecting officials as Special Representatives, envoys and appointment to related positions "on as wide a geographical basis as possible", recommended by the General Assembly in section III, paragraph 2, of its resolution 47/120, is still insufficiently applied. Furthermore, there are only two women (or 3.3 per cent) among the incumbents of these positions.

Recommendation IX

The Secretary-General should make more sustained efforts in order:

(*a*) **To apply the principle of selecting candidates to the positions of Special Representatives, envoys and to related positions on as wide a geographical basis as possible;**

(*b*) **To ensure at the same time a wider representation of these officials within geographical regions;**

(*c*) **To improve gender balance in these positions (see paras. 69-74).**

F. Appraisal of top-level officials in the United Nations Secretariat

The performance appraisal system (PAS), which was introduced in 1996 to evaluate the performance of staff members up to and including the Under-Secretary-General level, has been selectively applied to senior staff. Until the end of 1999, only one USG and one ASG had been appraised. Many staff at the Director and Principal Officer levels remain unappraised. In section VI, paragraph 1, of its resolution 53/221, the General Assembly requested the Secretary-General to ensure that PAS is applicable to all staff within the meaning of Article 97 of the Charter of the United Nations.

Recommendation X

The General Assembly may wish to request the Secretary-General to report to it biannually on the extent of the application of PAS to senior-level officials (see paras. 75-82).

G. Senior-level appointments in the United Nations programmes and funds

The geographical distribution of senior-level posts in the United Nations programmes and funds is imbalanced. In this regard the Secretary-General pointed out that the principles governing the recruitment of staff, which are derived from Articles 101, paragraph 3, of the Charter of the United Nations apply to all the staff of the secretariats of its subsidiary programmes, funds and organs with special status in matters of appointment.

Recommendation XI

The General Assembly may wish to call upon the executive heads of the United Nations programmes and funds to give greater importance to ensuring recruitment of staff at senior levels on as wide a geographical basis as possible (see para. 111).

I. INTRODUCTION

1. Emphasizing the vital importance of senior-level appointments, the Secretary-General stated: "The appointment of senior officials by the Secretary-General is critical to the Organization's performance. The Secretary-General has to balance the professional, managerial and leadership qualities required to ensure high standards of performance; in few areas do the Secretary-General's responsibilities have a greater impact on the effectiveness and performance of the Organization than in making these senior appointments."[5]

2. In their recent statements, Member States have increasingly referred to the necessity of ensuring high standards of performance of United Nations senior officials, transparency of the relevant recruitment procedures, more coherent implementation of the principle of equitable geographical distribution of high-level posts and achieving a better gender balance. Those concerns have been reflected in a number of resolutions that the General Assembly has adopted over the last several years.

3. Moreover, in 1996, the Open-ended High-level Working Group on the Strengthening of the United Nations System (WGUNS recommended, *inter alia*, that the "relevant bodies should request the external and internal oversight machinery to give early attention to ... [p]ractice and procedures for appointments at the senior level."[6]

4. The Office of Internal Oversight Services (OIOS) considered that appointments at the senior level are not a suitable topic for an internal oversight body and would be more appropriately dealt with by an external oversight body.[7] In his official communication addressed to JIU in April 1998, the USG for IOS formally suggested that the Unit should prepare a report on this issue.

5. Given the above concerns and suggestions, JIU decided to prepare a report entitled "Senior-level appointments in the United Nations, its programmes and funds" for submission to the General Assembly.

6. The present report consists of four chapters. Chapter I "Introduction" deals with the background and scope of the report, as well as with the methodology used for its preparation. Chapter II, on the basis of statistical information, considers overall trends in appointing staff to senior-level positions, geographical distribution of and representation of women at the relevant posts. Chapters III and IV review policies, procedures and practices for senior-level appointments in the United Nations Secretariat and United Nations major programmes and funds.

7. The preparation of the present report included the following stages:

- Examination of the reports of the Secretary-General to the General Assembly on personnel matters;
- Analysis of United Nations policies pertaining to appointments to senior-level posts;
- Interviews with representatives of Member States and Secretariat officials dealing with and/or responsible for recruitment and promotion to senior-level positions;
- Examination of files of the Senior Review Group (SRG) for appointments to D-2 posts and the Appointment and Promotion Board for appointments to D-1 posts for the last four years.

8. The Inspector is grateful to all those he had discussions with for their sincere and constructive cooperation and for sharing with him relevant information and ideas. He hopes that the present report to which they have contributed will be useful to Member States and the Secretary-General in their ongoing efforts to reform human resources management in the Organization and to enhance its effectiveness and efficiency.

II. SENIOR-LEVEL POSTS IN THE UNITED NATIONS SECRETARIAT: STATISTICS AND TRENDS

A. General

9. Traditionally, the senior echelon at the United Nations was regarded as consisting of the executive heads of the major United Nations programmes and funds (e.g. UNDP, UNFPA, UNICEF, WFP, UNHCR, UNCHS, UNEP), the heads of departments and offices at the USG and ASG levels and Directors (D-2), as well as those officials who carry out diplomatic or "special representative" functions for the Secretary-General. At present, this echelon also includes the DSG, who holds rank equivalent to that of the executive heads of the major specialized agencies and the major United Nations programmes and funds, and, since the adoption of General Assembly resolution 45/239 A, also the staff at the Principal Officer (D-1) grade.

10. The above officials are responsible for implementing all the work programmes of the United Nations, for effectively using its budget, and for ensuring the quality, direction and morale of its international civil service staff. These are critically important functions.

11. United Nations official documentation does not provide all the necessary data on senior positions, thus preventing Member States from having a full picture in this regard and from tracing the relevant trends. Therefore, in its resolution 51/226, section III B, paragraph 3, the General Assembly requested the Secretary-General to include information on representation of Member States at the senior and policy-making levels of the Secretariat in future reports on the composition of the Secretariat. However, the information contained in his most recent reports on the composition of the Secretariat[8] is still incomplete. Thus, while presenting the overall figures on extrabudgetary posts, for example, it indicates neither the categories nor the total number of senior-level staff financed from extrabudgetary resources, nor the geographical distribution of these staff.

12. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has repeatedly expressed particular concern with regard to senior-level positions in the Secretariat. ACABQ had requested the Secretary-General to provide information on the number of ASG and USG posts in the United Nations and its funds and programmes in 1987 as compared with 1997. In its second report on the proposed programme budget for the biennium 1998-1999, ACABQ requested the Secretary-General to: (*a*) submit a report on the grading structure early in 1998; and (*b*) provide the necessary analysis and justification for the numbers of posts at each level and the resultant organizational structure.[9]

13. With regard to the senior management structure, WGUNS stated that the Organization should have a clear pyramidal structure and, to that end, proposed that the functions and number of USGs, Special Representatives of the Secretary-General (SRSGs) and ASGs should be reviewed by the Secretary-General and streamlined, and the lines of authority and decision-making made transparent.[10]

14. To date, the ACABQ request has been complied only partially. The above proposal by WGUNS remains unheeded.

B. Overall statistics

15. In its second report on the proposed programme budget for 1998-1999, ACABQ noted a tendency towards increasing the number of USG and ASG positions, which against the background of decreasing that of junior-level posts, was distorting the grade "pyramid".[11]

16. The most recent report on the composition of the Secretariat suggests that, in 1995-1999, the total number of staff subject to geographical distribution was progressively declining from 2499 in 1995 to 2384 in 1998, with a slight increase in 1999 (2395).[12] The number of senior-level officials was decreasing from 1995 until 1997. In this period, the total number of staff at the D-1 level and above dropped from 331 to 308; that of the D-2 level and above, from 106 to 95; and ASGs and USGs, from 37 to 32. As a result of the subsequent increase in all these categories, the number of D-1 posts and above, in 1999, has reached 315, D-2 and above reached 108, and ASG and USG reached 40.

17. By virtue of General Assembly resolution 53/221 of 23 April 1999, the practice of showing the representation of staff according to major geographical groupings has been discontinued in favour of presenting such data by countries. The Inspector has, nevertheless, found it useful, before considering the country statistics for 1999, to make a brief analysis of the evolution of the distribution of senior-level posts by regional groupings during the 1995-1998 period.

18. The data presented in Table 1 suggests that, as of 30 June 1998, the largest number of senior-level posts (D-1 and above), was occupied by nationals of the Western European countries (82, including 10 posts of USG and ASG grades). The second in the rank was the region of North America and the Caribbean (64, including four USGs and ASGs). It was followed by Africa (58, including five USGs and ASGs); Asia and the Pacific (50, including 10 USGs and ASGs); Latin America (27, including eight USGs and ASGs), Middle East (18, including one USG), and Eastern Europe (13, including one USG).

19. In 1998, as compared to 1995, the number of senior-level posts encumbered by nationals of the North American and the Caribbean countries increased by three, that of Latin America by one, and that of Asia and the Pacific remained the same (50 posts). In the same period, the African region lost nine posts, the Middle East lost seven, Eastern Europe lost six and Western Europe lost one post.

Table 1: Staff at senior-levels in posts subject to geographical distribution, by region and grade (30 June 1995 - 30 June 1998)

	USG				ASG				D-2				D-1				TOTAL			
	95	96	97	98	95	96	97	98	95	96	97	98	95	96	97	98	95	96	97	98
AFRICA	2	3	2	2	4	3	5	3	12	12	10	14	49	48	45	39	67	66	63	58
ASIA & PACIFIC	4	5	5	7	2	2		3	7	8	8	11	37	34	30	29	50	49	43	50
EASTERN EUROPE	1	1	1	1		1			6	5	3	2	12	11	10	10	19	18	14	13
WESTERN EUROPE	7	6	6	8	1	2	2	2	23	22	21	20	52	57	55	52	83	87	84	82
LATIN AMERICA	2	3	2	3	3	3	2	5	5	3	4	3	16	16	17	16	26	25	25	27
MIDDLE EAST	1	1		1	3	3	2		3	4	3	3	18	14	13	14	25	22	18	18
NORTH AMERICA & CARIB-BEAN	3	2	2	2	1	1	3	2	16	17	14	11	41	42	42	49	61	62	61	64
OTHERS*												1	2	1	1		2	1	1	1
TOTAL	20	21	18	24	14	15	14	15	72	71	63	65	227	223	214	209	333	330	309	313

*Switzerland
Source: A/53/375, annex, Table 12, pp. 86-89.

20. The 1999 report on the composition of the Secretariat contained statistical information pertaining to the distribution of senior-level staff in 1999 by countries of nationality. Its analysis leads to some observations as presented below.

21. The distribution of senior-level posts among countries demonstrates a great degree of disparity. Nationals of only 18 Member States (less than 10 per cent of the United Nations membership) encumber 182 senior-level posts out of the total of 316 or 57.6 per cent (in 1999 nationals of these countries occupy five or more senior-level posts each). Nationals of 70 other Member States hold 134 such positions or 42.4 per cent of the total. The remaining 97 Member States, more than half of the United Nations membership, constitute the third group of countries - that of the "have-nots".

22. It is worthwhile comparing these 1999 data with those for 1995, at which time nationals also of 18 Member States, occupying five or more senior-level posts each, encumbered altogether 188 such positions out of total 331 or 56.8 per cent. Thus, it can be concluded that the degree of geographical distribution of top posts has remained stable during the last five years. This kind of stability, however, can hardly be regarded as positive.

23. The Secretary-General observes that the Office of Human Resource Management (OHRM) has amplified previous efforts to reach the largest pool of candidates possible by:

- Circulating posts at the D-1 and D-2 levels externally as well as internally;
- Publishing vacancy announcements on the Internet (which has resulted in unprecedented numbers of applicants from around the world);
- Requesting unrepresented countries to draw the attention of potential candidates to vacancy announcements;
- Conducting executive searches both by OHRM and programme managers.

Such measures help to meet the staffing needs of the Organization and to identify and attract candidates for posts at the senior and policy-making levels.[13]

1. Representation of developing countries

24. As of 30 July 1999, nationals of developing countries occupied 151 senior posts (47.9 per cent of the total number of such posts subject to geographical distribution), including 23 posts at the USG and ASG levels (57.5 per cent). By way of comparison, in 1995, the share of developing countries at senior levels overall was 47.7 per cent (158 posts) and at the ASG and USG levels 55.9 per cent (19 posts).[14] It should be noted that the distribution of senior-level posts among the developing countries within geographical groups is quite uneven.

25. As of 30 June 1999 nationals of 97 countries did not hold a single senior-level post subject to geographical distribution. The overwhelming majority of those 97 Member States are developing countries as well as countries with economies in transition.

26. Additional efforts, including targeted executive search by both OHRM and programme managers, are required to mitigate that disparity. Special consideration of the candidates from unrepresented countries for senior-level posts in the United Nations Secretariat, subject to geographical distribution, is warranted, provided that the necessity of securing the highest standards of efficiency, competence, and integrity is observed.

2. Representation of women

27. The Secretary-General has continued to take measures aimed at improving the gender balance in senior-level posts. In the period from 1 July 1995 to 30 June 1999, the number of women at the D-1 level and above increased from 57 to 92, or by 61.4 per cent. Over the period 1989-1999, the number of female staff in posts subject to geographical distribution at the D-1 level increased from 15 (6.4 per cent) to 71 (34.3 per cent); at the D-2 level from 7 (8.2 per cent) to 16 (23.2 per cent); and at the ASG level from 0 to 3 (17.6 per cent). The number of women occupying posts at the USG level in 1999 remained the same as in 1989: 2.[15] Out of 40 positions at the ASG level and above, women encumbered only five, or 12.5 per cent in 1999.[16] The Secretary-General should pay particular attention to this specific situation.

28. The Inspector observes the continuing inadequate representation of women from developing countries and countries with economies in transition. The Secretary-General, within the framework of his efforts aimed at further improving gender balance at senior and policy-making levels, should place particular emphasis on equitable geographical distribution and better representation of women from developing countries as well as from countries with economies in transition. In this respect, the Steering Committee for the Improvement of the Status of Women in the Secretariat, established as an advisory body to the Secretary-General, might play a positive role.[17] In applying the above measures, full regard should be paid to the relevant provisions of Articles 101 paragraph 3, and article 8 of the Charter of the United Nations.

II. POLICIES, PROCEDURES AND PRACTICES FOR SENIOR-LEVEL APPOINTMENTS IN THE UNITED NATIONS

A. General observations

29. The appointment of senior officials is critical to the performance of the Organization. The Charter does not provide for any modality of the appointment of senior-level officials, apart from that of the Secretary-General himself, who, under Article 97, "shall be appointed by the General Assembly upon the recommendation of the Security Council." The same article designates the Secretary-General as "the chief administrative officer" of the Organization. According to Article 101, paragraph 1, he is authorized to recruit "under regulations established by the General Assembly" (emphasis added) all Secretariat staff. This obviously includes staff serving at senior-level positions.

30. Article IV of the Staff Regulations dealing with the appointment of United Nations staff members, while repeating the well-known provisions of the Charter with regard to the necessity of securing the highest standards of efficiency, competence and integrity and to the importance of recruiting the staff on as wide a geographical basis as possible,[18] provides, in particular, that:

- The power of appointment of staff members rests with the Secretary-General;[19]
- Selection of staff members shall be made without distinction as to race, sex or religion. So far as practicable, selection shall be made on a competitive basis;[20]
- The fullest regard shall be had, in filling vacancies, to the requisite qualifications and experience of persons already in the service of the United Nations;[21]
- Appointment of USGs and ASGs shall normally be for a period of five years, subject to prolongation or renewal.[22]

B. Appointments to the top level

1. Appointments of the Deputy Secretary-General and Under-Secretary-General for IOS

31. The General Assembly decisions pertaining to appointments to the posts of DSG and USG for IOS, established in 1998 and 1994, respectively, have enhanced the role of Member States in the process of selecting United Nations top officials.

32. With regard to the appointment of the DSG, General Assembly resolution 52/12 B, section B, paragraph 2, apart from the need to observe Article 101 of the Charter of the United Nations, contains the following two provisions: prior consultations between the Secretary-General and Member States; and that the terms of office of the DSG "will not exceed that of the Secretary-General." As to the appointment of the USG for IOS, the General Assembly, in addition to holding prior consultations, provided that he/she shall be:

- An expert in the fields of accounting, auditing, financial analysis and investigations, management, law or public administration;
- Approved by the General Assembly;
- Removed by the Secretary-General only for cause and with the approval of the General Assembly;
- Appointed with due regard for geographic rotation.

The General Assembly also decided that the USG for IOS shall serve for one fixed term of five years without possibility of renewal.[23] In this context, it is worth noting that WGUNS encouraged the Secretary-General to consider uniform terms and term limits in his appointments to senior management posts.[24]

2. Appointments to USG and ASG levels

33. In the absence of clearly defined modalities, appointments to USG and ASG positions, as well as to those of heads of the United Nations programmes and funds, have traditionally been the personal responsibility of the Secretary-General. They fall within the discretionary power of the Secretary-General,[25] and, accordingly, are made outside the established procedures for recruitment and promotion. Therefore, neither relevant vacancy notices, nor job descriptions are published.

34. The Secretary-General reported that, in deciding on appointments at the senior and policy-making levels, he takes into account primarily the qualifications and experience of candidates for the USG, ASG and higher levels, with due importance given to considerations for equitable regional representation.[26] He also reported that, with regard to senior-level appointments, he, as and when necessary (emphasis added), consults with an informal group of independent advisers on senior appointments established in 1997, which comprises prominent individuals who are familiar with the United Nations system.[27] Previously, the Secretary-General had expressed his determination to seek the widest possible spectrum of views to ensure that his appointments are of the highest calibre and to continue to benefit, for this purpose, from consultations with Member States on such appointments.[28]

35. Comparison of the policies established for appointments at the top echelon in the United Nations Secretariat suggests that:

- Only in the cases of the DSG and the USG for IOS, consultations with Member States are formally required (although the format of these consultations has not been specified);
- Only the appointment of the USG for IOS requires the General Assembly's approval;
- Only with regard to the USG for IOS the procedure for removal is established;
- Only for the DSG and the USG for IOS the terms of office were clearly indicated.

As to application of the principle of geographical distribution, "due regard for geographic rotation" has been mentioned only in relation to the appointment of the USG for IOS.

36. Over the years, the General Assembly has repeatedly stated that no post should be considered the exclusive preserve of any Member State or group of States, including at the highest level.[29] However some top-level positions, including those at the USG level continue to be the exclusive preserve of some Member States. It is advisable that the Secretary-General, while considering candidates for senior-level appointments, should pay a special attention to this issue.

37. An analysis of recent General Assembly resolutions on personnel matters and of the relevant statements of Member States leads to three major conclusions. First, Member States are concerned with the necessity of securing the highest standards of efficiency, competence and integrity of United Nations top echelon officials. Second, Member States are placing an enhanced emphasis on elimination of "exclusive preserves" and ensuring the application of the principle of equitable geographical distribution, either through rotation of the relevant officials or through limiting their terms of office. Third, they wish more transparency of selection and recruitment of top level officials.

38. With regard to the above mentioned positions of Member States, the Secretary-General states: "Over the years, the General Assembly has adopted resolutions and established practices, including in relation to high-level appointments, that have constrained the Secretary-General's ability to administer the Secretariat."[30] Recalling that the Charter of the United Nations and its preparatory documentation express clearly the intention that there should be a well-defined division of functions between the General Assembly and the Secretary-General, he further observes that "encroachment by either on the authority of the other undermines the efficient and effective operation of the Organization."[31]

39. By adopting resolutions and establishing procedures relating to senior-level appointments, the General Assembly has exercised its legitimate rights and prerogatives. Indeed, Article 10 of the Charter stipulates that "the General Assembly may discuss any questions or any matters . . . relating to the powers and functions of any organs" provided for therein, which include the Secretariat. Moreover, Article 101, paragraph 1, of the Charter does not preclude the General Assembly from establishing new regulations, which may obviously involve possible new criteria and modalities for recruitment of staff to the Organization, including senior-level staff. The General Assembly confirmed this principle in its resolution 53/221, section I, paragraph 3, pointing out the possibility of proposals on the reform of human resources management which may require an amendment of the Staff Regulations and Rules or a departure from provisions of prior Assembly resolutions. Such proposals shall be submitted to the Assembly for its consideration and approval before their implementation.

40. The Inspector suggests three measures to be taken with regard to appointments at the USG and ASG level. First, prior to making such appointments, the Secretary-General should consult thereon with Member States on a broader basis. It will be recalled in this regard that in some United Nations system organizations, senior officials are appointed by their executive heads in consultation with or upon nomination by an appropriate legislative body.

41. Second, the terms of office of USG and ASG should be specified. The Inspector believes that appointment of USGs and ASGs should normally be for an initial period of up to five years, subject to prolongation or renewal so that the total term of office should not exceed ten years. Third, the Secretary-General should advise in advance Member States of vacancies at the levels of USGs and ASGs as well as of responsibilities related to these positions and qualifications required from candidates.

C. Appointments to the D-2 level

42. Currently, vacancy notices for D-2 positions are circulated both internally and externally. This allows due consideration to be given to the career development of Secretariat staff under staff regulation 4.4 and the possibility of bringing in "new talents" from outside.

43. Efficiency of the United Nations Secretariat greatly depends on the performance of its Directors. The Directors should help the Secretary-General to create an organizational environment that allows all staff to contribute to their maximum potential. Therefore, in the context of human resources management reform, it is vitally important to take measures aimed at reviewing and streamlining selection criteria and modalities of appointment of staff at the D-2 level.

44. In selecting candidates, emphasis should be placed on identifying those who are achievement oriented and possess proven managerial competencies and leadership skills. The possibility should exist for replacing under-performing staff of this category. With this purpose in

mind, the Inspector believes it is important that newly-recruited staff at the D-2 level or holders of fixed-term appointments selected for such posts should be granted initial contracts for periods not exceeding five years. At least six months before the expiration of the initial contract of such a staff member, the position should be advertised both internally and externally. The incumbent should be allowed to present his/her candidacy for the post on the same basis as all other candidates.

45. The Inspector considers it advisable to request the Secretary-General to provide in his report on the composition of the Secretariat information on D-2 appointments, including nationality, gender, type of contract (new or renewed).

1. Senior Review Group and its terms of reference

46. Appointments to the D-2 level are made on the advice of a Senior Review Group (SRG), which was established by the Secretary-General in 1991 to serve a threefold purpose:

- To provide the Secretary-General with more structured advice in the consideration of candidates;
- To ensure consistent implementation of personnel policies and recruitment guidelines;
- To satisfy members aspiring to such posts that their candidacies are given adequate consideration.

47. SRG consists of four officials at the USG or ASG level. One is the Chairperson of the Appointment and Promotion Board (APB), another represents the Executive Office of the Secretary-General (EOSG), the third is appointed in consultation with the staff, and the fourth, serving ex-officio, is the ASG for Human Resources Management (HRM).

48. According ST/AI/392 of 27 January 1994, SRG procedures provide that:

- Prior to the submission of any recommendation for an appointment, the head of the department concerned should request OHRM to circulate a vacancy announcement;
- Depending on the circumstances of the case, the head of the department concerned, in consultation with the ASG for HRM, may decide to advertise the vacancy internally only, or internally and externally; in exceptional circumstances, however, SRG may decide not to advertise a post;
- After initial screening by OHRM to establish basic eligibility, applications received are forwarded to the head of the department concerned for evaluation;
- After reviewing the applications, the head of the department will forward a recommendation to the ASG for HRM, who will present it to SRG;
- It is the responsibility of SRG to ensure that all qualified candidates are given due consideration;
- If a vacancy announcement has initially been circulated internally only and SRG concludes that there is no internal candidate fully qualified for the post, it may recommend that the post be advertised externally;
- After deliberation, SRG prepares a short list of all fully qualified candidates and submits it to the Secretary-General for a final decision;
- Should the names put forward by SRG not include the candidate recommended by the department concerned, the recommendations of SRG, together with the views of the department's head are forwarded to the Secretary-General for a decision.

It needs to be added that SRG terms of reference provide that the Secretary-General, at his discretion, may request it to review candidates for senior management positions at the levels higher than D-2.

2. Review of SRG files

49. During the period from 1 January 1995 to 7 June 1999, SRG held 38 meetings. Its notes are maintained in the OHRM. The proceedings of the meetings are not recorded. The results of the analysis of SRG files covering the above period are presented below.

50. The review suggests that, during the above period, 81 appointments were made to D-2 level posts. Out of this number 22 external candidates (or 27 per cent of the total) were recruited. None of them was seconded by his or her respective Government. Internal candidates were either promoted to a higher level post or promoted in-post. In-post promotion was either related to the fact that the incumbents were placed on D-2 posts with their D-1 grade or resulted from the reclassification of the posts they had been occupying to the D-2 level.

51. As follows from the examination of the files, SRG, without considering the relevant cases, only took note of the Secretary-General's decision to appoint ten United Nations officials.

52. Otherwise, announcements for vacant posts are, generally, published for both external and internal candidates and placed on the Internet. Only one vacancy announcement was placed in the *International Herald Tribune* and *The Economist* magazine.

53. Many of the vacancy announcements elicited hundreds of applications. Thus 406 applications were

submitted for the post of the Director of the Electronic Services Division, OCSS; and 346 applications for the post of the Director of the Division of Sustainable Development, DESA. In some of these cases, department heads (e.g. DESA, UNCTAD) established either special review or advisory panels to screen the applications and assist them in evaluating the candidates. An inter-agency selection team was established to review candidates for the post of the Director of the International Computing Centre (ICC).

54. It is worth mentioning that in only one case SRG did not agree with the recommendation of the head of the department concerned to promote a staff member to a D-2 post and recommended another candidate to the Secretary-General. The Secretary-General agreed with the SRG recommendation. In another case, SRG invited the head of a department to comment personally on the proposed candidate and only after receiving his clarifications was SRG able to support the candidate he had recommended.

55. On the other hand, the Secretary-General turned down two recommendations of SRG, both advising him to recruit external candidates. In one of these cases, the Secretary-General appointed an internal candidate as a Director of Division, despite the fact that the latter had been found by the Departmental Panel as having "not yet demonstrated the level of leadership required for a position of this nature."

56. In several cases, the Secretary-General's Executive Office drew the attention of the Chairperson of SRG to the lack of information on the candidates submitted for the Secretary-General's approval. The Inspector would like to observe that SRG, in contrast to APB, has no standardized form of reporting, neither has it a list of the documentation required for its consideration of candidates. SRG files definitely need to be better organized not only for easy reference but also because of the fact that they constitute a part of the Organization's institutional memory.

57. Finally, the Inspector has established that, during the 1995-1999 period, the Secretary-General only once requested SRG to review candidates for an ASG position.

D. Appointments to the D-1 level

58. During the period from 1 January 1995 to 31 May 1999, 155 appointments were made to D-1 level posts. Only 38 or 24.5 per cent of those constituted recruitment of external candidates. There is no evidence in the files of APB of any recruitment on the basis of secondment. Currently, vacancy notices for D-1 positions should be circulated internally and externally under the vacancy announcement system, except for cases when either the Secretary-General uses his discretionary powers of appointment or in-post promotion.

59. However, there were cases of non-competitive process of selecting and appointing candidates to D-1 positions. In its Judgement No. 914, the United Nations Administrative Tribunal (UNAT) found that non-circulation of two vacant D-1 posts in OHRM constituted a disregard of proper procedures which "was detrimental to the Applicants' career development, and caused the frustration and mental anguish of not being considered for posts for which they might be qualified." Accordingly, UNAT ordered the Respondent to pay to each of the two applicants compensation of 18 months of her/his salary. The Tribunal was compelled to add that "this is such a serious case of maladministration that consideration should be given to invoking Staff Rule 112.3 which provides that "Any staff member may be required to reimburse the United Nations either partially or in full for any financial loss suffered by the United Nations as a result of the staff member's negligence or of his/her having violated any regulation, rule or administrative instruction."

60. It will be recalled that such a recommendation (Recommendation III) was made in the JIU report entitled "Inspection of the application of United Nations recruitment, placement, and promotion policies (Part II. Placement and Promotions)."[32] That recommendation subsequently became paragraph 3 of section II of General Assembly resolution 51/226 of 3 April 1997.

1. APB and its terms of reference

61. The procedures for D-1 level appointments, which are made upon APB recommendations, are the same as those applied to lower level staff in the Professional category.

62. The Secretary-General reports that APB is fully informed of the representation of Member States in the Secretariat when reviewing the cases submitted for advice and that OHRM ensures that special attention is given by these advisory bodies to candidates from unrepresented and under-represented nationalities.

2. Review of APB files

63. The Inspector reviewed all the APB files dealing with appointments to the D-1 level in 1999, the files for the period 1995 were chosen for inspection at random. The Inspector notes a high quality of the files, testifying to the meticulous work of the APB secretariat. As a general rule, the following documentation is attached to the presentation of a candidate:

(a) Vacancy announcement and classified job description of the post;

(b) Report of the Departmental Panel;

(c) Comparative evaluation worksheets of all applicants;

(d) Application, fact-sheet and the latest performance appraisal reports of the applicant;

(e) Tables showing:

(i) Current vacancies at the level of the advertised post;

(ii) Posts at that level soon to become vacant;

(iii) Posts at the level of the post under review which are encumbered at a lower level.

64. As follows from the examination of the APB files, on quite a number of occasions, APB insisted on having additional information related to the qualification and performance of candidates and spared no efforts to achieve standardization of the information submitted to it, which not only made the work of APB easier, but it also provided a more consistent and objective comparison of candidates.

65. Examination of APB files also reveals that it has encountered on various occasions inconsistencies between the vacancy announcement, job description and requirements used by the department to evaluate the candidates for the post. In its report entitled "Inspection of the application of United Nations recruitment, placement, and promotion policies,"[33] JIU emphasized that vacancy announcements and job descriptions should be consistent in describing job functions and qualifications. It is also important to ensure that vacancy announcements should be as specific as possible in describing the functions and requirements of a vacant post.

66. The Inspector shares the view that requirements not stated in the vacancy announcement or job description should not be used to assess the candidates. After the vacancy announcement is issued, departments should not be able to change the requirements based on the qualifications of the applicants for the vacancy. This would avoid "tailor-made" vacancy announcements.

3. Appointment practices

67. The Inspector observes that APB drew the attention of OHRM to the continuing practice of excessive temporary incumbency. General Assembly resolution 51/226[34] and ST/AI/413 notwithstanding, staff are often temporarily assigned to a vacant post for a significant period of time (sometimes years) before promotion is possible. By the time the case reaches the appointment and promotion bodies, it is difficult to refuse promotion to the incumbent because that person has gained the required experience in the functions of the post. In cases where a post has been encumbered, the department should indicate that other staff members are given an equal opportunity to perform the functions of the post.

68. On three occasions in 1999, APB disagreed with the recommendations for D-1 appointments made by the heads of the relevant departments and offices. In one of these cases, the Secretary-General approved the recommendation of the head of the department. In another case, on the contrary, the APB recommendation was approved. In the third case, the decision was taken to readvertise the post.

E. Special representatives, envoys and related positions

69. In paragraphs 1 to 3 of its resolution 50/219 of 3 April 1996, the General Assembly, having taken note of the Secretary-General's report on special representatives, envoys and related positions and having endorsed the conclusions and recommendations contained in the related ACABQ report, reiterated that the number of special envoys, special representatives and other special high-level positions should be kept to a minimum, that their functions and responsibilities should be more clearly defined and streamlined, avoiding any possible duplication, and that current financial regulations and budgetary procedures should be fully complied with.

70. Currently, the following three categories of special representatives, envoys and related officers are employed by the United Nations:

(a) Special representatives and other high-level officials in peace-keeping or observer missions authorized by the Security Council (category A);

(b) Envoys and other representatives appointed to assist the Secretary-General in the exercise of his good offices and related functions (category B);

(c) Other special high-level officials, including special advisers to the Secretary-General (category C).

71. As of 31 July 1996 (the relevant information for 1997-1998 was unavailable at the time of data collection for the report), 33 officials in the categories of special representatives, envoys and related officers were employed by the United Nations. More specifically, in category A, five officials served at the USG level and 11 at the ASG level. In category B, eight officials were employed at the USG level, one at the ASG level, and two at the D-2 level. In category C, five officials served at the USG level and one at the ASG level.

72. In its report to the General Assembly at its fifty-first session ACABQ observed that the principle of selecting these officials "on as wide a geographical basis as possible", reaffirmed by the General Assembly in its resolution 47/120, was far from being applied.

73. In the absence of official data for 1998 and 1999, the Inspector obtained from OHRM a list of names of special representatives, envoys and other high-level officials (by country of nationality and grade) employed by the United Nations as of September 1999. According to these data, in 1999 there were 60 such officials, including 23 USGs, 16 ASGs and 21 at the D-2 level. As for geographical

representation, 18 came from Western Europe, 13 from Africa, 10 from North America and the Caribbean, 8 from Asia and the Pacific, 6 from Eastern Europe, 4 from Latin America, and 1 from the Middle East. The distribution of these posts among nationalities within regional groups was rather uneven. Thus, in the group of Western Europe, out of 18 positions, 13 were held by nationals of 4 Member States. In the case of North America and the Caribbean, out of 10 positions, 9 were encumbered by nationals of 2 North American countries; and in that of Asia, out of 8 positions, 5 were occupied by nationals of only 2 countries.

74. The data made available to the Inspector also suggests that there were only two women, or 3.3 per cent, among the special representatives, envoys and incumbents of related positions in 1999.

F. Appraisal of senior-level officials

75. While none of the appointments to the top echelon posts has been officially acknowledged as a mistake or failure, authoritative United Nations analysts recognize, however, that "the performance of the top echelon over the years has been uneven."[35] The Inspector reviews the status of appraisal of the staff at D-1 posts and above in the United Nations Secretariat to the extent that high performance is a sine qua non condition for the appointment and promotion of staff to senior-level posts.

76. It will be recalled that PAS came into use in the Organization pursuant to General Assembly resolution 49/222 A of 23 December 1994, in which the Assembly requested the Secretary-General to introduce a new performance appraisal system that would hold managers and staff accountable for their individual performance. In accordance with staff rule 112.6, PAS applies to all staff members, up to and including USGs, holding appointments of at least one year under the 100 series of Staff Rules.

77. In its resolution 51/226 of 3 April 1997, the General Assembly requested the Secretary-General to report on the findings of the review of the first cycle of PAS. Subsequently, the Secretary-General submitted a report on the implementation of PAS[36] in which he reviewed the first full year of implementation and outlined the modifications being made to improve the system in the light of feedback received from staff and management throughout the Secretariat. By its resolution 52/219, the Assembly encouraged the Secretary-General to continue his efforts to refine and simplify the system, in particular its administrative aspects, and reiterated the importance of PAS being implemented consistently throughout the Secretariat so as to achieve an effective and fair performance management and staff development tool. The Secretary-General was requested to monitor the application of the performance appraisal system and to report thereon to the Assembly.

78. In response to the latter request, the Secretary-General submitted to the General Assembly at its fifty-third session a progress report[37] which was intended to provide it with information on the development and implementation of PAS since his previous report, including actions taken pursuant to Assembly resolution 52/219. It provides information on the measures taken to refine and simplify the performance appraisal system, in particular its administrative aspect. It also contains a section entitled "Status of implementation of the Performance Appraisal System in the Organisation." However this section is limited to stating only that "14 departments and offices have reported that they have implemented PAS during two cycles, 6 have implemented PAS during one cycle, and the remaining 7 are commencing implementation in 1998."[38] This information is not sufficient since neither the names of those departments and offices are mentioned, nor the percentage, nor grade of staff covered by PAS.

79. For the purposes of the present report, the Inspector queried OHRM about the actual status of the appraisal of senior staff in the Secretariat. The information provided is represented in Table 2 above. The table suggests that, to date, 20 departments and offices have implemented PAS during its first (1996-1997) and second (1997-1998) cycles. Specifically, these departments and offices are: DESA (DDSMS, DESIPA, DPCSD), DGAACS, OHRM, DPA, DPI, DPKO, ECA, ECE, ECLAC, ESCAP, ESCWA, OIOS, OLA, UNCHS, UNCTAD, UNDCP, UNEP, UNOG, UNON, UNOV. Nine departments and offices commenced PAS in 1998 or 1999. They include: DDA, OCSS, DM/OUSG, OCHA, OIRP, UNCHR, UNJSPF, OPPBA, EOSG.

80. The table also suggests that, since the implementation of PAS, only one USG and one ASG had been appraised: the former within the 1996-1997 cycle only. As for staff at the Director and Principal Officer levels, the number of those appraised and non-appraised, as well as explanatory comments are given in the respective columns of the table.

81. One general conclusion may be drawn from the information provided on senior staff appraisal, namely that PAS is still far from being universally applied to United Nations staff. In section VI, paragraph 1, of its resolution 53/221 of 7 April 1999, the General Assembly requested the Secretary-General "to ensure that the performance appraisal system is applicable to all staff within the meaning of Article 97 of the Charter of the United Nations."

82. In his bulletin of 15 December 1999,[39] the Secretary-General promulgated that, as from 1 January 2000:

"*1.1 PAS as established in ST/AI/1999/14 is applicable to all staff members, including those at the level of Assistant Secretary-General and above.*

"*1.2. In appraising the performance of senior officials reporting directly to him, at the Assistant Secretary-General level and above, the Secretary-General may make his comments on performance in a manner which he deems appropriate.*"

Table 2: Status of appraisal of the Secretariat senior staff under PAS system (1996 - 1998)

DEPARTMENT		USG		ASG		D-2		D-1		REMARKS
		yes	no	yes	no	yes	no	yes	no	
HEADQUARTERS										
DESA (DDSMS, DESIPA, DPCSD)	1996-1997	--	--	1	0	5	6	20	9	2 D-2 and 4 D-1 posts vacant
	1998	--	--	1	1	4	6	21	8	3 D-2 and 5 D-1 posts vacant
DGAACS	1996-1997									Appraisals being completed
	1997-1998									
OHRM	1996-1997	N/A	N/A			3	0	4	0	Appraisals being completed
	1997-1998	N/A	N/A			3	0	4	0	
DPA	1996-1997	0	1	0	2	6	3	12	2	
	1997-1998	0	1	0	2	2	5	8	7	
DPI	1996-1997	0	0	0	1	2	1	8	1	ASG and 1 D-1 not appraised due to changes in leadership
	1997-1998	0	0	0	1	1	1	9	1	
DPKO	1996-1997	0	1	0	2	0	4	8	3	
	1997-1998	0	1	0	2	0	4	8	3	
OIOS	1996-1997	0	1	0	0	1	0	5	0	
	1998-1999	0	1	0	0	1	0	5	0	
OLA	1996-1997	--	--	--	--	4	0	4	0	In 1997-1998, 1 D-2 assigned to OHCR by SG, therefore, OLA did not file PAS for him
	1997-1998	--	--	--	--	3	1	6	0	
OFFICES AWAY FROM HEADQUARTERS										
UNOG	1996-1997									No information submitted
	1997-1998									
UNCHS	1996-1997	--	--	0	1	1	1	1	2	
	1997-1998	--	--	--	--	0	2	0	2	Appraisals being completed
UNEP	1996-1997	1	0	0	1	4	5	15	13	Appraisals being completed
	1997-1998	0	1	0	1	0	9	1	26	Appraisals being completed
UNON	1996-1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Did not exist.
	1997-1998	--	--	--	--	--	--	0	1	Appraisals being completed
UNOV/UNDCP	1996-1997	--	--	--	--	--	--	--	--	
	1997-1998	--	--	--	--	1	2	1	4	
ECA	1997					0	1	0	1	Appraisals in progress for 9 staff, full PAS implementation began in 1998. Appraisals in process of completion
	1998					0	1	0	8	
ECE	1996-1997	--	--	--	--	--	--	8	0	1 D-1 not appraised (recruited near cycle end)
	1997-1998	--	--	--	--	0	1	8	1	1 D-1 not yet appraised; EOD was November 1998
ECLAC	1996-1997	0	1	--	--	1	0	10	0	No PAS for former Executive Secretary (retired December 1997); 1997-1998 appraisals in process of completion
	1997-1998	--	--	--	--	--	--	--	--	
ESCAP	1996-1997	0	1	--	--	--	--	2	5	D-2 post vacant from 1/8/96 to 7/10/97. In 1996-1997, PERs done for 4 D-1 staff
	1997-1998	0	1	--	--	--	--	1	5	
ESCWA	1996-1997	0	1	--	--	1	0	4	0	
	1997-1998	0	1	--	--	1	0	5	0	
UNCTAD	1996-1997	0	1	0	0	0	4	3	13	Appraisals pending for D-1 and D-2 staff
	1997-1998	0	1	0	1	0	4	2	12	2 D-2 ineligible for 1998 PAS (EOD late 1998)

IV. POLICIES, PROCEDURES AND PRACTICES FOR SENIOR-LEVEL APPOINTMENTS IN THE UNITED NATIONS MAJOR PROGRAMMES AND FUNDS

A. UNDP

83. As of 31 October 1999, apart from the Administrator, UNDP top echelon staff comprised: 1 Associate Administrator (USG), 8 Assistant Administrators (ASG), 57 D-2 and 149 D-1 officials. Forty-eight UNDP senior-level officials (22.2 per cent) were women. The total of 215 senior-level posts were encumbered by nationals of 67 countries belonging to all geographical regions. In 1999, 11 Member States had nationals occupying 5 or more senior-level posts, in total 114, or 52.8 per cent of all such posts.

84. The UNDP Administrator is appointed by the Secretary-General, after consultation with the UNDP Governing Council, subject to confirmation by the General Assembly. The Associate Administrator (USG level) is appointed by the UNDP Administrator in consultation with the Secretary-General. All appointments of UNDP staff members up to the D-2 level are made by the Administrator under a delegation of authority from the Secretary-General of the United Nations. The general principles followed by UNDP in selecting its staff are those contained in the relevant provisions of the Staff Regulations as well as in the "Charter on UNDP Personnel Policies and Practices." Appointments are made after consideration of the recommendation of the UNDP/UNFPA Appointment and Promotion Board. It considers cases related to fixed-term appointments of one year or more of staff in the Professional and higher categories from P-1 through D-1 under the 100 series; and fixed-term appointments of 13 months and more of staff in the 200 series (L-1 to L-6).

85. For the review of UNDP staff, the Board consists of five members and five alternates drawn from UNDP staff.

86. When a D-2 post becomes or is expected to become vacant, an internal announcement of the vacancy is publicized by e-mail to all internal UNDP staff members, eligibility being limited to those staff members at the P-5 level and above. If the position is a Resident Representative/Resident Coordinator position, the following steps are taken:

- The post is advertised to JCGP/ACC members and nominations reviewed by the management of regional bureaux;
- Based upon reference checks and the assessment of the bureaux, JCGP/ACC candidates are invited for a panel interview;
- Candidates are assessed on the basis of the competencies for the position.

87. As part of the selection process, UNDP has recently introduced a new evaluation system for candidates to Resident Coordinator posts. This system requires all such candidatures to be submitted for independent assessment. Assessments are made by an external firm and based on a set of defined competencies. The new system is applied to some 130 offices. About 100 United Nations staff members have passed through this process.

88. At a meeting of senior management chaired by the Administrator, all candidates are reviewed for the D-2 post and a management preference identified. The selection of a candidate for the post is made further to these consultations.

89. In the event that no suitable internal candidate is identified, a decision to proceed with external recruitment is made. The sourcing of external candidates may be through such means as advertisements in appropriate journals, executive search, networking with key institutions and professional associations, the hiring of a consultant. All the applications received are screened on the basis of competencies and a short-list of candidates identified for panel and/or one-on-one interviews.
Based upon interview results and reference checks, a candidate for the post is selected. The appointment of all D-2 staff members must be approved by the Administrator.

B. UNICEF

90. As of 30 June 1999, UNICEF had 84 senior-level posts which comprised: the Executive Director (USG), two Deputy Executive Directors (ASG), 27 Directors, including 10 directors of the headquarters divisions, 8 regional directors, 6 directors of country offices, 1 special advisor, 1 senior advisor, and the Director of the International Child Development Centre. There are also 54 officials at the D-1 level. All the posts at USG, ASG and D-2 levels and 53 posts at the D-1 level are funded from core voluntary contributions as a part of the UNICEF support budget approved for the 1999-2000 biennium. One D-1 post is financed from other resources related to reimbursements. Thirty staff at the D-1 level and above, or about 30 per cent, are women.

91. UNICEF argues that although its posts are not subject to geographical distribution, it strives to ensure a reasonable geographical balance of staff at all levels. The analysis of the relevant data shows, however, that out of 27 posts at D-2 level, 21 were filled by nationals of developed countries. Thirteen officials came from Western Europe, seven from North America, six from Asia and the Pacific, one official was a national of a non-Member State. Three geographical regions (Eastern Europe, Latin America, and the Middle East) were not represented at all at those levels.

92. The UNICEF Executive Director, who holds the rank of Under-Secretary-General, is appointed by the Secretary-General after consultation with the UNICEF Executive Board. In accordance with the existing rules and procedures, UNICEF Deputy Executive Directors (ASG) are appointed by the Secretary-General upon recommendation from the Executive Director. Division and Regional Directors, Deputy Regional Directors, Representatives, Assistant Representatives and other Heads of office, are approved by the Executive Director following review by the Senior Staff Review Committee (SSRC). This consists of the Executive Director, Deputy Executive Directors, Comptroller, Director and Deputy Director of the Division of Human Resources, Director of Programme Division, and Director of the Division of Evaluation, Policy and Planning. Regional Directors also participate whenever they are in New York (usually three to four times a year), otherwise they are consulted for views. The Chief of the Career Development Section serves as an ex-officio non-voting member.

93. All new posts, posts vacated or to be vacated following the reassignment or separation of the incumbent, and upgraded posts up to and including D-2/L-7 levels are normally advertised in a Vacancy Bulletin which is issued twice a month, distributed worldwide and posted on the UNICEF intranet site. When it is not possible to fill a vacant post with an internal candidate, a decision is made to proceed with external recruitment.

94. The main criteria as per SSRC terms of reference are: the ability of the candidate to fulfil the requirements of the post; background of academic preparation and work experience; versatility in handling related assignments; ability to assume administrative and managerial responsibilities; quality of past and current performance; and potential. When reviewing candidates, the SSRC also pays special attention to: candidates needing placement; linguistic ability; maintaining an appropriate geographic and gender balance at the international professional level as well as within particular regions and offices; and overall needs of the office.

C. UNFPA

95. As of November 1999, UNFPA had 37 senior level posts compromising: the Executive Director (USG), 2 Deputy Executive Directors (ASG), 8 Directors (D-2) and 26 Principal Officers (D-1) of which 18 are in the field. Thirty-eight per cent of senior staff are women. As to geographical distribution, in 1999, nationals of the European countries held 11 such posts, those of the Asian and Pacific region countries – 9, of African countries – 6, of North America – 5, and of the Arab and Latin American countries, 3 each. All these posts are financed from the regular budget.

96. The UNFPA Executive Director is appointed by the Secretary General at the USG level after consultation with the UNFPA Executive Board. The 2 Deputy Executive Directors (ASG) are appointed by the Secretary General upon recommendation from the Executive Director. Positions at the D-2 level are advertised and candidates are selected and appointed by the Executive Director. Positions at the D-1 level are advertised and candidates are reviewed and selected through an internal selection procedure.

97. All professional level appointments up to and including the D-1 level are made by the Executive Director, based on the recommendation of the UNDP/UNFPA APB. The Board considers cases related to fixed- term appointments of 1 year or more and conducts the annual promotion review for staff in the professional category from P-1 to D-1. For the review of UNFPA staff the Board consists of 4 UNFPA staff at the P-5 level or above and 2 UNDP staff.

D. UNHCR

98. UNHCR counts 33 senior staff who include: the High Commissioner (USG), 2 officials at the ASG level (one of them is the Deputy High Commisssioner), 12 officials at the D-2 level (two of them are financed from the regular budget and 10 from extrabudgetary resources), and 20 officials at the D-1 level (10 of these are financed from the regular budget and another 10 from extrabudgetary resources). Fifteen posts at D-1 level and above are occupied by women.

99. In accordance with General Assembly resolution 48/141, the High Commissioner for Refugees is appointed by the Secretary-General, subject to approval by the General Assembly. The appointment of his/her Deputy is governed primarily by paragraph 14 of the Statute of the Office of the United Nations High Commissioner for Refugees,[40] which specifies that: "[t]he High Commissioner shall appoint, for the same term, a Deputy High Commissioner of a nationality other than his own." Paragraph 15 (*a*) of the Statute also provides that "[w]ithin the limits of the budgetary appropriations provided, the staff of the Office of the High Commissioner shall be appointed by the High Commissioner and shall be responsible to him in the exercise of their functions."

100. Effective 1 January 2000, UNHCR introduced a new approach to the posting of staff in the Professional and higher categories. The emphasis is placed on a more proactive role for the staff member, a more direct involvement by managers in the selection of candidates, a more professional matching of staff profiles to the requirements of the post, and a strengthened oversight role for the Appointments, Promotions and Postings Board (APPB).

101. The provisions of the new system relating to the selection of candidates for D-1 level, Representatives and other country-level representational posts state that:

- An Advisory Board for Senior Postings (ABSP) will be formed, comprising all Directors, the Deputy and the Assistant High Commissioner. Based on short-lists prepared by the Human Resources Service (HRS), this body will advise the High Commissioner, through the APPB, on the selection of candidates for all posts at the D-1 level and for country-level representational posts at any level (such as Representative, Chief of Mission, Senior Liaison Officer). It will also support the High Commissioner and HRS in defining evolving human resources competencies and staffing profiles required to assure the accomplishment of organizational objectives.

- An independent management assessment programme will be used to assess staff aspiring to posts of Representative, Head of Office/Desk, Section Chief, etc. This would provide the ABSP with additional objective information which would be used as a basis for evaluating the multidisciplinary skills of candidates in such areas as management, leadership, communications, external relations, human resources (HR) and financial competence. This programme is intended to be part of an organization-wide HR planning function that will be used to identify and develop managerial potential through training programmes which should be mandatory before a posting at the D-1 or country representational level.

- As a transitional measure, for all staff assigned to posts at the D-1 level and as Representatives or equivalent during the year 2000 who have not previously had the opportunity of undertaking such training, that training must be undertaken within one year of a posting to a higher level post.

102. Also proposed that effective 1 January 2000, UNHCR adopted the Rank-in-Post promotion system for staff in the Professional and National Officer categories as well as for staff at the D-1 level. This means that promotion to the next higher level will normally occur when a staff member has been assigned to, and has satisfactorily performed the full functions of, the higher level post following a probationary period of 12 to 18 months.

E. UNCHS

103. UNCHS has nine senior-level posts: two D-2, two D-1 and five L-6 posts. Only field posts are financed from extrabudgetary resources. All appointments at the D-1 and D-2 levels are made in accordance with the 100 series of the United Nations Staff Rules. The appointments on the L posts are made in accordance with the 200 series of the United Nations Staff Rules.

F. UNEP

104. UNEP senior staff include: the Executive Director (USG), Deputy Executive Director (ASG), 5 officials at the D-2 level, and 28 officials at the D-1 level. Only the USG, two D-2 and two D-1 posts are financed from the regular budget. Five UNEP officials at the D-1 and above posts are women.

105. The Executive Director is elected by the General Assembly on the nomination of the Secretary-General (resolution 2997 (XXVII) section II, of 15 December 1972). The appointment of UNEP staff against extra-budgetary resources up to the D-1 level are reviewed by APB (Nairobi) and approved by the Executive Director of UNEP, whereas, the appointments of UNEP senior staff against regular budget are reviewed by APB (New York) and approved by the Secretary-General. All appointments at the D-2 level and above are reviewed by SRG and approved by the Secretary-General.

G. WFP

106. WFP senior-level staff comprise: the Executive Director (USG), Deputy Executive Director (ASG), Assistant Executive Director (ASG), 11 D-2 and 42 D-1. Out of a total 56 senior posts only 4 D-1 posts are financed from extrabudgetary resources. Fourteen senior-level posts are held by women. As for geographical distribution, as of 17 September 1999, 18 posts at the D-1 level and above were held by nationals of North American countries, 17 from Western Europe, seven from Asia, six from Africa, four from Latin and Central America, and four from Oceania. Nationals of one Member State had 13 such posts, and nationals of 6 other countries held from 2 to 5 posts each. Two regions (Eastern Europe and the Middle East) were not represented.

107. In accordance with the General Regulations of WFP, the Executive Director (USG) is appointed by the Secretary-General and the Director-General of FAO in consultation with the WFP Executive Board. In WFP, D-1 level staff are considered as Senior Staff, while D-2 level staff are considered as Executive Staff.

108. The procedures for appointment to the D-1 level are as follows:

- Promotion from inside is given preference;

- Usually, staff selected are promoted as a first step for the duration of assignment, which at a later date could be confirmed;

- If no suitable internal candidate is available, a Vacancy Announcement is issued;

- The Human Resources Division proceeds to pre-screen candidates meeting the required qualifications;

- Qualified candidates are interviewed by a panel of Executive Staff;

- A recommendation of short-listed candidates is sent by the interview panel to the Executive Director for decision.

109. As for the D-2 level, the candidates are selected and appointed by the Executive Director, after consultation with WFP Executive Board members. If required, a Vacancy Announcement is sent to the Member States. It may be added that all WFP staff are subject, on a yearly basis, to the Management Appraisal and Performance System, which is similar to PAS.

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110. By way of concluding, it may be observed that certain diversity exists in the modalities of senior-level appointments in the United Nations programmes and funds. At this stage, however, the Inspector does not see any compelling reason to recommend uniformity of these modalities.

111. It is also noteworthy that the geographical distribution of senior-level staff in the secretariats of the United Nations programmes and funds is very uneven. In this regard, it will be recalled that, in his 1999 report on the composition of the Secretariat, the Secretary-General specifically pointed out that the principles governing the recruitment and employment of staff, which are derived from Article 101, paragraph 3, of the Charter of the United Nations (including the necessity to pay due regard to the importance of recruiting staff on as wide a geographical basis as possible) apply to all the staff of the United Nations, including the staff of the secretariats of its subsidiary programmes, funds and organs with special status in matters of appointment.[41]

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NOTES

1. General Assembly resolution 51/226 of 25 April 1997, sect. II, para.5.
2. "Renewing the United Nations: a programme for reform", report of the Secretary-General A/51/950, p. 74, para. 233.
3. "United Nations reform: measures and proposals", note by the Secretariat A/52/584, para. 37.
4. ST/SGB/1999/5, regulation 4.5 (a).
5. "Renewing the United Nations . . .", op. cit., p. 74, para. 230.
6. Report of the Open-ended High-level Working Group on the Strengthening of the United Nations System (*Official Records of the General Assembly, Fifty-first Session, Supplement No. 24* (A/51/24)), annex, para. 55.
7. "Implementation of General Assembly resolution 51/241", report of the Secretary-General (A/52/855), para. 57.
8. A/53/375 and A/54/27.
9. A/52/7/Add.1, para. 56.
10. Report of the Open-ended High-level Working Group. . ., op. cit., annex, para. 63.
11. See note No. 9 above.
12. A/54/279, p. 11, Table B.
13. Ibid., p. 15, para. 38.
14. Ibid., p. 11, Table B.
15. Ibid., pp. 10-12, paras. 21-22 and Table D.
16. Ibid., p. 11, Table B.
17. ST/SGB/1999/9.
18. Staff Rules (see note No. 4 above), regulation 4.2.
19. Ibid., regulation 4.1.
20. Ibid., regulation 4.3.
21. Ibid., regulation 4.4.
22. Ibid., regulation 4.5.
23. General Assembly resolution 48/218 B of 12 August 1994, para.5 (*b*) (iii).
24. Report of the Open-ended High-level Working Group. . . , op. cit., annex, para. 67.
25. See note No. 1 above.
26. A/53/375, para. 47.
27. Status of implementation of actions described in the report of the Secretary-General entitled "Renewing the United Nations: a programme for reform", report of the Secretary-General (A/53/676), p. 7, action 20.
28. "United Nations reform . . .", op. cit., para. 37.
29. See, for example, General Assembly resolution 51/226 of 25 April 1997, sect. III B, para.1.
30. "Renewing the United Nations . . .", op. cit., p. 19, para. 47.
31. Ibid.
32. JIU/REP/96/6, see A/51/656.
33. JIU/REP/95/1 (Part 1), see A/ 49/845.
34. General Assembly resolution 51/226 of 25 April 1997, sect. III.B, para. 10.
35. B. Urquhart and E. Childers, "A world in need of leadership: tomorrow's United Nations", Dag Hammarskjöld Foundation (Uppsala, Sweden 1990), p.37.
36. A/C.5/51/55 and Corr.1.
37. "Performance management", report of the Secretary-General (A/53/266).
38. Ibid., para. 11.
39. ST/SGB/1999/18.
40. General Assembly resolution 428 (V) of 14 December 1950, annex.
41. A/54/279, para. 10.

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Appointments to fill vacancies in subsidiary organs and other appointments

Appointment of members of the Committee on Contributions

Report of the Fifth Committee

Rapporteur: Mr. Eduardo Manuel da Fonseca Fernandes **Ramos** (Portugal)

1. At its 9th plenary meeting, on 11 September 2000, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-fifth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Committee on Contributions".

2. At its 2nd meeting, on 19 September 2000, the Fifth Committee had before it a note by the Secretary-General (A/55/102/Add.1) concerning a vacancy in the membership of the Committee on Contributions as a result of the resignation of Ju Kuilin (China).

3. The Fifth Committee also had before it a note by the Secretary-General (A/C.5/55/5) transmitting the name of the person nominated by the Government of China to fill the remaining part of the term of office of Mr. Ju, that is, from the date of appointment until 31 December 2002.

4. At the same meeting, the Fifth Committee decided to recommend to the General Assembly that it appoint Wu Gang (China) as a member of the Committee on Contributions, for a term of office beginning on the date of appointment and ending on 31 December 2002.

00-66108 (E) 021000

Recommendation of the Fifth Committee

5. The Fifth Committee recommends that the General Assembly appoint Mr. Wu Gang (China) as a member of the Committee on Contributions for a term of office beginning on _____ 2000[1] and ending on 31 December 2002.

[1] Date of adoption of the decision by the General Assembly.

United Nations A/55/425

General Assembly

Distr.: General
27 September 2000

Original: English

Fifty-fifth session
Agenda item 84
United Nations Relief and Works Agency for Palestine Refugees in the Near East

University of Jerusalem "Al-Quds" for Palestine refugees

Report of the Secretary-General*

1. The present report is submitted in pursuance of General Assembly resolution 54/75 of 6 December 1999, the twentieth resolution adopted since its first consideration of the subject at its thirty-fifth session (resolution 35/13 B of 3 November 1980).

2. The Secretary-General has submitted 18 reports (the last one being A/54/385) on the steps he has taken in pursuance of those resolutions, including his efforts to prepare the functional feasibility study on establishing the proposed university that was first requested by the General Assembly in its resolution 36/146 G of 16 December 1981. The position of the Government of Israel with regard to the establishment of the university is also set out in those reports.

3. As the Secretary-General has previously indicated (see A/41/457, para. 4), he believes that, in order to comply with the request addressed to him by the General Assembly, it would be necessary to complete the functional feasibility study initiated in pursuance of previous Assembly resolutions. To that end, the Secretary-General again sought the assistance of the Rector of the United Nations University, who, at his request, made available a highly qualified expert, Mihaly Simai, to assist in the preparation of the study. The expert was to visit the area and meet with the relevant Israeli officials, bearing in mind that Israel exercises effective authority in the area concerned.

4. In a note verbale dated 8 August 2000 addressed to the Permanent Representative of Israel to the United Nations, the Secretary-General, with reference to the request addressed to him by the General Assembly, requested that the Government of Israel facilitate the visit of the expert, which would take place at a mutually convenient date. Recalling the position taken by the Government of Israel concerning the proposed university, as well as the clarifications already given by the

* The footnote requested by the General Assembly in resolution 54/248 was not included in the submission.

00-66092 (E) 171000

Secretariat to the questions raised by the Israeli authorities (see A/36/593, annex), the Secretary-General expressed the view that such questions could best be discussed on the occasion of the visit of the United Nations expert.

5. On 6 September 2000, the Permanent Representative of Israel sent the following reply to the Secretary-General:

> "Israel has voted consistently against this resolution and its position remains unchanged. It is clear that the sponsors of this resolution seek to exploit the field of higher education for political purposes totally extraneous to genuine academic pursuits. Accordingly, the Government of Israel is of the opinion that the proposed visit of Dr. Mihaly Simai to Israel would serve no useful purpose."

6. In view of the position taken by the Government of Israel, it has not been possible to complete the functional feasibility study on the proposed university at Jerusalem as planned.

United Nations A/55/426-S/2000/913

General Assembly
Security Council

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General Assembly
Fifty-fifth session
Agenda item 114 (c)
Human rights questions: human rights situations and reports of special rapporteurs and representatives

Security Council
Fifty-fifth year

Letter dated 27 September 2000 from the Chargé d'affaires a.i. of the Permanent Mission of Yugoslavia to the United Nations addressed to the Secretary-General

I have the honour to forward herewith a memorandum of the Commission of the Government of the Federal Republic of Yugoslavia on Humanitarian Issues and Missing Persons on the systematic violations of international and bilateral obligations of the Republic of Croatia (see annex).

I should be grateful if you would have the present letter and its annex circulated as a document of the General Assembly, under agenda item 114 (c), and of the Security Council.

(*Signed*) Vladislav **Jovanovic**
Chargé d'affaires a.i.

00-66130 (E) 101000

Annex to the letter dated 27 September 2000 from the Chargé d'affaires of the Permanent Mission of Yugoslavia to the United Nations addressed to the Secretary-General

Memorandum of the Commission of the Federal Government of the Federal Republic of Yugoslavia on Humanitarian Issues and Missing Persons on the systematic violations of international and bilateral obligations of the Republic of Croatia

Several hundred thousand Serbs from Croatia went missing, were killed or expelled in the military operations conducted for the purpose of seceding Croatia from the former Yugoslavia and during their subsequent massive ethnic cleansing. The fate of most of these persons remains unknown or, at best, uncertain. Nobody knows, for instance, what the ultimate fate of over 330,000 Serbs who fled terror in Croatia and found shelter in the FR Yugoslavia will be and what happened to 3,277 missing Serbs from Croatia. The Croatian authorities have always had problems with honouring their obligations vis-à-vis the important humanitarian issue of addressing the question of Serbs who disappeared in the civil war that broke out in Croatia in the wake of the dismemberment of the former Yugoslavia. Concerned to maintain the image of "sacrificial lamb" that they painted themselves and that was only too readily accepted in some influential international circles, they have been very reluctant to lift the stone on what had happened underneath, especially in the operations of the Croatian military and police called "Flash" and "Storm", carried out on 2 May and 4 August 1995 respectively, against the Republic of Serbian Krajina, established on the Serbian ethnic territories.

The failure of the Croatian authorities to begin exhumations and identification of the bodies of the Serbian victims of the civil war is the subject of great anguish and frustration of the families concerned. United Nations member-States, its bodies and agencies and relevant Special Rapporteurs are called upon to bring pressure to bear on the Republic of Croatia to honour its obligations under the Agreement on Cooperation in Tracing Missing Persons, signed by the Ministers for Foreign Affairs of the FR of Yugoslavia and the Republic of Croatia at Dayton, Ohio, on 17 November 1995, the Protocol on Cooperation between the Commission of the Federal Government of the FR of Yugoslavia on Humanitarian Issues and Missing Persons and the Commission on Detained and Missing Persons of the Government of the Republic of Croatia, signed in Zagreb on 17 April 1996, and the Geneva Conventions Relative to the Protection of the Victims of War.

The Croatian authorities have been guided by political expediency in the approach to their obligations to address the fate of the missing persons from the Yugoslav search list. The new "democratic" government, in office since early this year, has also failed to take concrete steps to dissociate itself from the policy and practice of the previous Croatian government. Excessive optimism in certain international circles about the political situation in Croatia runs against the grain of the experience of parents and families of missing persons in the FR of Yugoslavia, especially of the Serbs

expelled from Croatia, and is a cause of concern that the attitude of the international community may provide a convenient opportunity and a handy excuse to the Croatian authorities to continue to drag their feet and delay addressing the fate of their kin.

In March of 1999, the Commission of the Republic of Croatia on Detained and Missing Persons broke off unilaterally its cooperation with the Commission of the Federal Government of the FR of Yugoslavia on Humanitarian Issues and Missing Persons, provided for by the Agreement on Cooperation in Tracing Missing Persons between the FR of Yugoslavia and the Republic of Croatia and the Protocol on Cooperation between the Commissions of the governments of the two countries. The said documents envisage continued cooperation by way of holding alternate meetings of the Commissions in Belgrade and Zagreb until the final solution of all cases from the search lists of missing persons of both parties has been reached.

Conversely, the FR of Yugoslavia has honoured all its obligations towards the Republic of Croatia concerning the missing persons in accordance with the Geneva Conventions, international humanitarian law and the afore-mentioned inter-State documents. It released all Croats held prisoner as early as 1992, including persons convicted for war crimes. In 1994, it also released the members of a Croatian sabotage-terrorist group arrested in the territory of the FR of Yugoslavia. The FR of Yugoslavia delivered all protocols and personal effects of persons killed in Vukovar in 1991, handed over human remains and provided answers to other individual searches made by the Republic of Croatia. On the basis of the protocols, the Croatian side carried out the exhumation of 938 bodies at the cemetery in Vukovar in 1998, 588 of which were identified. Regrettably, although the figure includes several hundred Serbs, the Serbian families were not allowed to attend the exhumations and identification. Also, contrary to the agreement, the Commission of the Republic of Croatia on Detained and Missing Persons did not invite the Yugoslav side to attend the exhumations in Vukovar nor has it informed it of the results of the identification.

Notwithstanding the official assurances made by the highest-ranking Croatian officials on several occasions that Croatia would address cases from the Yugoslav search list as a matter of priority, the Croatian side has failed to:

- carry out the agreement reached by the Ministers for Foreign Affairs of the FR of Yugoslavia and the Republic of Croatia on the exchange of prisoners on the basis of the principle "All for All". Because of the failure, 76 Serbs continue to be held captive in prisons in Croatia (most of them were captured in the operations of ethnic cleansing "Flash" and "Storm", see Chapter I);

- solve 3,277 cases of missing persons from the Yugoslav search list, 576 of whom are citizens of the FR of Yugoslavia (see Chapter II, para. 1) and 2,701 Serbs from Croatia (see Chapter II, para. 2);

- provide answers and carry out its obligations regarding identified and unidentified killed persons in the afore-mentioned operations of ethnic cleansing "Flash" and "Storm" (see. Chapter II, para. 3); and

- honour the Geneva Conventions and Additional Protocols with respect to Serbian cemeteries and the exhumation and identification of Serbian bodies (only graves of

Croats are exhumed, Serbian casualties are presented as Croatian, attendance of exhumations is made difficult or even expressly denied to Serbian families and representatives of the Serbian people in Croatia, while Serbian cemeteries are deliberately neglected).

After a unilateral interruption of bilateral contacts on the question of missing Serbs by the Croatian side 16 months ago and many initiatives by the Yugoslav side to induce Croatia to take seriously its international and bilateral obligations and carry them out in good faith, a brief meeting of the two Commissions was held in July 2000. Unfortunately, it confirmed the lack of readiness also of the new Croatian government to carry out the obligations to which the two sides committed themselves jointly. The international community is therefore called upon to address a serious warning to Croatia, as a member-State of the United Nations, the International Federation of Red Cross and Red Crescent Societies and a party to the Geneva Conventions Relative to the Protection of the Victims of War. This problem should be brought to the attention of the Croatian side also by the United Nations High Commissioner for Human Rights, United Nations High Commissioner for Refugees and the Special Rapporteur of the United Nations Commission on Human Rights for the Status of Human Rights in Bosnia and Herzegovina, Croatia and the FR of Yugoslavia, as well as by European and other organizations such as the Organization for Security and Cooperation in Europe, of which the Republic of Croatia is a full-fledged or prospective member.

I

PRISONERS

The 76 Serbs still held in Croatian prisons were taken prisoner or arrested during and in the wake of the operations of ethnic cleansing "Flash" and "Storm" carried out by the Croatian military and police against the Republic of Serbian Krajina on 2 May and 4 August 1995. Several hundred thousand Serbs were expelled and 230,000 of them found refuge in the FR of Yugoslavia. As a result, the number of Serbs who were expelled from Croatia and found refuge in the FR of Yugoslavia has increased to over 330.000. It should be noted that another substantial number of Serbs fled terror and persecution in Croatia and found refuge in other countries.

In the afore-mentioned operations of ethnic cleansing, over 2,100 Serbs were killed or went missing, more than 70 per cent of them civilians. Over 2,950 persons were captured and the above-mentioned 76 are still in Croatian prisons. Although these persons were captured during the civil war, refusing to release them under the Agreement and the Protocol on Cooperation in Tracing Missing Persons, signed with the FR of Yugoslavia, and under its own Amnesty Law, Croatia has changed the qualification of their offence from participation in the so-called armed rebellion to the criminal act of war crime. All of them are convinced that they are innocent because their trials were rigged, there were no witnesses, evidence was provided on the basis of statements given by false witnesses and outside regular court procedures. Similarly, the Croatian side failed to abide even by its own laws or to honour legal time limits (It took several years for sentences to be passed and courts of second instance did not honour appeal deadlines). Surprisingly, instead of releasing these persons or making it possible for them to receive a fair trial, the new Croatian government has recently stepped up confirmation of sentences by which the Serbs were sentenced to long

imprisonment. This action of the Croatian government is aimed at preventing these persons from being included in the exchange procedure and is designed to cover up drastic violations of Croatia's own laws by the Croatian authorities.

This has further aggravated the situation of the imprisoned Serbs, who went on a hunger strike on a number of occasions and demanded to be taken over by the International Criminal Tribunal for the Former Yugoslavia, convinced that, despite its widely-known anti-Serbian bias, they can get a fairer trial in The Hague than in Croatia. However, they have been turned down by the Tribunal for lack of evidence against them. In Croatia, however, they were sentenced to long-term imprisonment, ranging from 10 to 20 years.

Since the Protocol on Cooperation in Tracing Missing Persons does not provide for the release of persons tried for the criminal act of war crime, the Ministers for Foreign Affairs of the FR of Yugoslavia and the Republic of Croatia, Zivadin Jovanovic and Mate Granic, reached, in the spirit of the Agreement on the normalization of relations between two countries, an agreement on 18 August 1998 on the exchange of all sentenced Serbs, held in Croatian prisons, for persons of Croatian nationality, sentenced in the FR of Yugoslavia for various criminal acts on the basis of the principle "All for All". The agreement has not been honoured because the Croatian side reneged on it unilaterally after all disputed issues of its implementation had already been resolved.

From the very beginning, the Yugoslav side has stressed its readiness to carry out the agreement reached between the Foreign Ministers on the exchange of prisoners and demanded that it be implemented immediately and unconditionally.

Over 2,000 Serbs are being investigated or have been sentenced *in absentia* in Croatia for the criminal act of war crimes and the Croatian authorities have never made public the list of their names despite a public commitment to do so. This has a negative effect on the process of return of expelled Serbs to Croatia since many of them, on visits to their homes and relatives or on tours to see for themselves what practical possibilities exist for permanent return, have been arrested while crossing into Croatia. The Croatian authorities have thus sent a clear message to expelled Serbs that they are not wanted back to Croatia.

II.

MISSING PERSONS

Notwithstanding its public pronouncements, often made at the level of highest-ranking officials, to the effect that it will solve Yugoslav requests as a matter of priority, the Croatian side has not solved 3,277 cases of missing persons from the Yugoslav search list. It includes:

1. 576 cases of missing persons from the FR of Yugoslavia, of whom the Croatian side was notified through the Tracing Service of the Yugoslav Red Cross, in particular 54 persons, signified as priorities, for whom evidence was available that they had been

alive and in Croatian prisons or otherwise in the custody of the Croatian authorities. These include:

- 5 airmen of the former Yugoslav People's Army (JNA). The information about them was forwarded to the Croatian side on several occasions and agreements were made with the Commission of the Government of the Republic of Croatia for Detained and Missing Persons which should have led to the clarification of their fate. However, nothing has come out of those agreements as the Croatian side failed to honour its obligations;

- 7 soldiers of the former JNA captured on 2 May 1992 in the village of Donje Kolibe near Bosanski Brod. On a number of occasions, the Croatian side was provided evidence of their capture and statements of witnesses who had spent several days with them in prisons in Croatia and were subsequently released through prisoner exchange; and

- 14 reservists of the former JNA, the "Niksic" and "Savnik" groups, arrested in Mostar and the vicinity in April 1992. The Yugoslav side provided evidence (statements of witnesses) that these persons had been in Croatian prisons and that some of them had been arrested in downtown Mostar (at the post office, making phone calls to relatives), not on a tour of duty, let alone in a combat operation. The Croatian side informed the Yugoslav Commission in writing that it had in its custody the remains of 11 persons from the "Niksic" and "Savnik" groups and handed over the personal effects of one person. However, it continues to refuse to hand over the remains and makes it contingent on ever more unrealistic demands, contrary to one of the basic principles of humanitarian law that human remains of the killed must be handed over without any conditions and that they cannot be the subject of exchange;

There is growing evidence in the form of testimonies of survivors that these persons were tortured in the Croatian prison Lora near Split. Wary of the resurgence of the evidence, the Croatian authorities are making every effort to suppress it, refusing to hand over the remains of the soldiers and civilians who succumbed to torture in this detention centre. For the same reason they refuse to hand over the remains of the members of the former JNA (most of them conscripts killed in attacks on barracks and other facilities of the former, at the time still common, JNA in Bjelovar, Karlovac, Zadar, Osijek and Zagreb in the autumn of 1991), even though the Croatian side was provided precise data on the date and place of their death. In wanton disregard for international humanitarian law, the remains of some of them were burnt, allegedly for health-related and hygienic reasons.

2. 2,701 cases of missing Serbs from Croatia and the Republic of Serbian Krajina, including those killed in the attack by the Croatian military and police on the Republic of Serbian Krajina in the operations of the ethnic cleansing of Serbs "Flash" and "Storm". The Croatian Commission undertook to solve these cases when it signed the Protocol on Cooperation between the two Government Commissions. Under the Protocol, the Croatian side is obliged to forward all identification protocols, send personal effects, carry out exhumations and hand over the remains of the victims c sidering that most of the families of missing Serbs from

Croatia now live in the FR of Yugoslavia and are apprehensive of establishing contacts with the Croatian Commission.

For almost ten long years, the Croatian authorities have refused to provide answers to parents and relatives about the fate of many taken for so-called informative talks from which they never returned. What has happened to them is not known, although the names of those who brought them in for questioning are known. Instances of these cases abound; for the purpose of illustration, given are the following few:

- Before the outbreak of armed conflicts in Croatia in the summer of 1991, at least 40 prominent Serbs from Vukovar and the vicinity were brought in for informative talks with the Croatian authorities and have not been heard of ever since. On 2 August 1991, 9 Serbian civilians from Sarvas, Municipality of Osijek, were forcibly taken away and their families have not heard of them since. In September of that same year began the harassment of the remaining villagers of Paulin Dvor, which ended in the massacre of 19 civilians on the night of 11 December 1991. They were tortured and killed in a house, subsequently mined and blown up, and their bodies were taken away in an unknown direction. The remains of these people have not been released to their families yet;

- Massive deportations of civilians were carried out in Western Slavonia (Maciska Sagovina, Pakracka poljana and Marino Selo) in 1991 and 1992. They were followed by tortures and liquidations in camps established for the purpose. About 300 Serbian civilians went missing in the camps at Pakracka Poljana and Marino Selo at that time. Massive liquidations of Serbs took place also in other areas of Croatia. One glaring example was the disappearance, within the mere 2 days of 16 and 17 October 1991, of 157 Serbs in the area of Gospic. 26 charred bodies have been found, while others are still listed as missing;

- In the attack of the Croatian military against the positions of the Serbian territorial defence at the Miljevacki Plateau in June 1992, carried out despite the presence of UNPROFOR, 40 Serbian territorial defence members were killed and 17 were captured. The families were not allowed to take over the remains of the killed and the captured Serbs were ordered, under the threat of death, to throw the bodies of their fellow-Serbs into a karst pit;

- In January 1993, at the time when the implementation of the UNSCR 762 (1992) of 26 June 1992 and what is known as the Vance Plan were well underway, the Croatian military attacked the Republic of Serbian Krajina again. The Serbian villages of Islam Grcki, Kasic and Smokovic bore the brunt of the attack (and of Croatian rage), whereas the Serbs from the ethnically heterogeneous villages of Murvica, Crno, Zemunik Gorni, Poljica and Islam Latinski were expelled or killed. 326 Serbian soldiers and civilians were killed, while 165 civilians died in makeshift camps; and

- In September 1993, the Croatian military carried out a surprise attack on the Serbian villages at the foothills of Mt. Velebit, collectively known as the

Medak Pocket, which had been under United Nations protection. 88 Serbs went missing or were killed in the operation, 46 soldiers and 42 civilians. The Croatian side handed over 52 bodies, most of them disfigured or charred which leads to the conclusion that the captured and the wounded had been massacred and murdered. It was only in April 2000 that Hague Tribunal investigators exhumed the first Serbian mass grave at the site of Obradovic Varos in Gospic and found the remains of 11 persons in a cesspool. The victims have not been identified yet, their remains are in Zagreb, while the families of most of them now live in the FR of Yugoslavia. The exhumation was done only in the presence of Croatian security forces as the investigators banned the families and Yugoslav forensic experts and even representatives of the International Committee of the Red Cross in wanton disregard for the principles of international humanitarian law and the customary investigating procedure.

2. Over 230 000 Serbs were expelled from the Republic of Serbian Krajina in the operations of ethnic cleansing "Flash" and "Storm", carried out by the Croatian military and police in May and August 1995. The tally of these operations provides a distressing reading:

- Within mere 36 hours, 284 Serbs, including 57 women and 8 children, went missing or were killed in the attack of the Croatian military and police against the Serbian population of Western Slavonia in the operation of ethnic cleansing called "Flash" that started on 2 May 1995. About 1,500 members of the military of the Republic of Serbian Krajina were taken prisoner, while civilians who had been unable to flee were placed in detention camps as their homes were looted, plundered and destroyed. According to the records of relevant international organizations, only about 800 Serbs, out of some 15,000 that had lived in the area prior to the attack, remained there in October 1995; and

- In a joint action with the forces of the Croatian Defence Council and the Fifth Corps of the Army of Bosnia and Herzegovina, over 200,000 members of the Croatian military and police attacked the remaining part of the Republic of Serbian Krajina (Northern Dalmatia, Lika, Kordun and Banija) on 4 August 1995, with the approval and support of NATO. During and after the aggression 1,791 Serbs were killed or went missing, including 449 women and 11 children. About 3,200 elderly and infirm persons were taken to detention camps. Krajina was devastated, plundered and set ablaze. In October 1995, United Nations observers registered about 22,000 demolished buildings in Sector South alone. Several hundred thousand Serbs were expelled, including 230,000 who found shelter in the FR of Yugoslavia.

Considering that the vast majority of the families of Serbs who went missing in the operations of ethnic cleansing "Flash" and "Storm" now live in Yugoslavia, the Yugoslav side called for settling the issue of tracing the persons gone missing in those operations, i.e. for establishing the exact number and a single list of missing persons, beginning exhumations and identification, updating protocols for unidentified Serbs killed in the operations and for handing over personal effects and corresponding protocols to which the Croatian side committed itself under the Cooperation Protocol.

248 Serbs were killed or went missing during and after the operation of ethnic cleansing "Flash" and 1,791 during and after operation "Storm". However, the Croatian side continues to cover up the number of Serbs killed in these operations, which is revealed by the following:

According to official lists provided by the Croatian Commission, 788 persons of Serbian nationality were killed during the aggression against the Serbian population in the Republic of Serbian Krajina in operation "Storm", of whom 163 were identified and 625 were not. 168 persons of Serbian nationality were killed in operation "Flash", 79 of them were identified and 89 were not. This brings the total number of Serbs killed to 956 of whom 242 were identified and 714 were not.

However, in the report submitted by the Government of the Republic of Croatia to the Security Council in February 1996 it is said that 911 Serbs were killed in operation "Storm". Considering that the number of killed Serbs on the list provided by the Croatian Commission is 788, the Croatian side is under obligation to submit 123 additional protocols for Serbs killed in this operation alone.

So far, the Yugoslav side has received 669 protocols from the Croatian side for unidentified Serbs killed in operations "Flash" and "Storm". However, the Yugoslav Commission has drawn the attention of the Croatian side that it is under obligation to hand over additional protocols for unidentified Serbs killed in these operations since, out of the total number of 669 protocols already handed over, 57 relate to other burial sites that were not included in the lists of the Croatian Commission, while 101 protocols for sites included in the lists are missing. This by itself provides telling evidence that the Croatian side possesses a larger number of protocols from the one it has conceded to be in possession of.

The Yugoslav Commission has also requested the Croatian side to hand over the protocols for 242 persons identified by the Croatian authorities whose families live in the FR of Yugoslavia as no family will accept identification on the basis of lists containing incomplete data. This all the more so as 9 persons from the lists have been ascertained to be alive, which calls into question the validity of the entire identification procedure.

The data, it is pointed out, are based on the official information provided by the competent Croatian authorities. However, taking into account the data in possession of the Commission on Humanitarian Issues and Missing Persons of the Federal Government of the FR of Yugoslavia, as well as those compiled by international and other organizations and the families of Serbs killed in operations "Flash" and "Storm", the number of protocols that the Croatian Commission is expected to hand over is significantly larger.

At the recent meeting in Zagreb the Croatian Commission sought to deny the right of the Yugoslav side to be involved in the solution of the question of Serbs gone missing in the operations of ethnic cleansing "Flash" and "Storm" conducted by the Croatian military and police during and after their attack on the Republic of Serbian Krajina. It contended that the missing Serbs were Croatian nationals and that it paid

equal attention to the tracing of all missing persons in the territory of Croatia regardless to their ethnic, religious or other belonging.

From its part, the Commission of the Federal Government of the FR of Yugoslavia argued that, under the Protocol on Cooperation in Tracing Missing Persons, the Croatian side had undertaken to solve, with the Yugoslav Commission, also the question of Serbs gone missing in the operations of ethnic cleansing "Flash" and "Storm", since a large number of families of these persons live in the territory of the FR of Yugoslavia, as well as that they are not on the official search list of the Croatian Commission (out of 2,701 Serbs gone missing in Croatia registered by the Yugoslav Commission, only 25 missing Serbs are on the Croatian official search list that includes 1,620 persons). The Tracing Service of the Croatian Red Cross has registered over 1,100 missing persons in Croatia (the largest number of them are Serbs gone missing in the said operations) who are not on the Croatian official search list of missing persons either.

This is a clear indication of the intention of the Croatian Commission to hide the truth about Serbian casualties in Croatia and the war crimes committed against Serbs, particularly those in the operations of ethnic cleansing "Flash" and "Storm". Although committed to cooperation with the Hague Tribunal under the constitutional law of the Republic of Croatia, the Croatian side has not yet submitted to the Tribunal a complete documentation on these operations, apprehensive of the consequences, international and internal, of the unveiling of the heinous crimes committed against the Serbian people in Croatia the second time this century. Similarly, the Hague Tribunal has not only failed to condemn Croatia's behaviour despite pronouncements that it will do so, but seems to be indulgent of it. As a result, only the fate of missing Croats is addressed in Croatia, but not that of Serbs.

Pressed by the Yugoslav side and relevant international organizations which attended the meeting of the Commissions in Zagreb, in the end, the Croatian Commission accepted to continue to cooperate with the Yugoslav Commission in keeping with the provisions of the Cooperation Protocol. For that purpose, the Commissions agreed to draw up, in the presence of the International Red Cross and the International Commission on Missing Persons, a single list of missing persons in Croatia for the 1991-1995 period.

Nevertheless, the Yugoslav side has very few reasons to be satisfied with the attitude of the Croatian authorities towards the obligations they have assumed. This is evinced also by the negligence of the Croatian side in honouring its obligation to maintain, restore and properly mark registered graves in which the Serbs were buried (according to available data more than 1,300 of them) and the international community would do well to use its influence to remind Croatia of that obligation as well. For, allowing the graves to fall into disrepair, their crosses to be broken and to fall down and the lettering to fade is not only a sign of a lack of piety and respect for the deceased, but can render the identification of the dead difficult or even impossible.

The international community is also called upon to bring pressure to bear on the Croatian authorities to start the exhumation and identification of the bodies of the Serbian victims in Croatia and to accord them the same importance and urgency that it has accorded to the exhumation and identification of the Croatian victims. This all the

more so as the Croatian side has failed to abide by bilateral agreements, and international pressure on Croatia to honour relevant documents in the field, such as the Geneva Conventions and international humanitarian law, as well as the agreements with the Federal Republic of Yugoslavia, remains the last hope of the families of Serbs killed or gone missing in the civil war in Croatia.

August, 2000